

Friday August 28 1998

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Sport98

Centurion Hick finds salvation at The Oval



(With today's television, radio and European weather)

Decca Aitkenhead on:

Spending £250,000 a year on a wild child

Comment, page 12

Yeltsin lies low □ No floor in sight for rouble □ Moscow stock market worth less than Sainsbury's

Panic grips global markets

Shock waves reach West

Larry Elliott, Mark Atkinson and James Mack in Moscow

HUNDREDS of billions of pounds were wiped off the value of share prices around the world yesterday as the shock waves from Russia's descent into financial anarchy and economic chaos reached the West.

Stock markets in every continent were gripped with panic after Moscow's decision to stop defending the ailing rouble led to fears about the future of President Boris Yeltsin and the entire reform process.

With Latin American markets also in a turmoil, dealers expressed mounting concern that global economic activity could grind to a halt in a re-run of the Depression of the early 1930s.

The Russia crisis "gets the medal" for the worst emerging market meltdown, Martin Quintin-Archard, head of London-based Emerging Markets Bond & Asset Trading Co, told the Bloomberg news agency.

"This is the biggest, the most, the quickest so far. Look out the window for a plummeting of bankers."

London's FTSE 100 index closed 176.9 points down on the day, while the Japanese stock market fell by more than 500 points to its lowest in six years. Wall Street, hit by the deepening global financial crisis, suffered a hefty fall as some of the big American banks owned up to huge losses in the former Soviet Union.

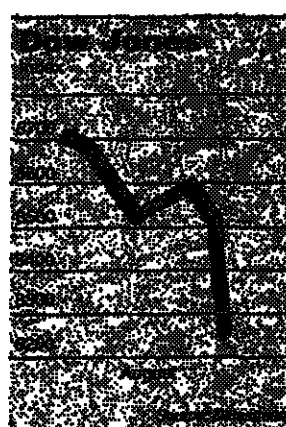
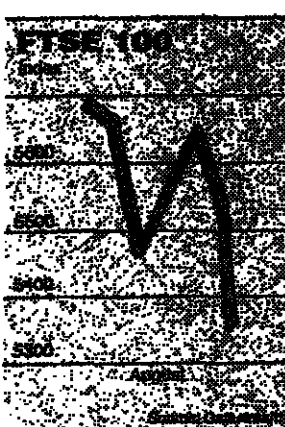
In New York, the Dow Jones index closed down a massive 357.36 points.

Brazil's stock market lost 10 per cent of its value and has dropped by a third this year. Mexico's bourse suffered a 5 per cent fall yesterday, while among the leading European exchanges, Frankfurt and Madrid were the worst affected, seeing share prices shaved by around 5 per cent.

In Moscow, the run on share prices continued with a vengeance, with the stock market down by 84 per cent and now worth less than the



A Russian woman waits for change at a kiosk in St Petersburg yesterday. The rouble's value plummeted as Moscow suspended foreign currency dealings. PHOTOGRAPH BY ALEXANDER DEMANCHUK



valuation of the supermarket chain Sainsbury's on the London stock exchange.

With no floor in sight for the rouble, the central bank cancelled trade on the country's main foreign currency exchange until further notice.

The Russian currency hit 11 to 12 roubles against the US dollar in electronic trading but without an official central

bank rate, the economy cannot function.

The new premier, Victor Chernomyrdin, moved to nationalise the country's third-largest bank yesterday as parliament and the government neared agreement on a shift away from the economics of the Yeltsin years.

The world buzzed with rumours that the Yeltsin era

had already come to an end with a letter of resignation from the president, but the Russian leader's press spokesman, Sergei Yastrzhembsky, said Mr Yeltsin would be in the Kremlin today.

Amid a torrent of speculation that Mr Yeltsin is gravely ill or on the brink of quitting, one Russian newspaper carried a picture of the

president looking out of a car window with the banner headline: "He's Alive".

Yesterday's turmoil was fuelled by the first indications of the scale of the losses suffered by Western investors in Russia. Billionaire financier George Soros, who precipitated the crisis two weeks ago by calling for a devaluation of the rouble, has seen his Quan-

Post-Yeltsin era begins
Even robbers go empty-handed
Analysis
Rescuing Russia
Leader comment
Falling markets

turn fund lose \$2 billion, while Republic New York bank said losses from investments in Russia would wipe out its third-quarter profits.

America's 18th-largest bank said it will take a third-quarter charge against profits of \$110 million to cover losses in Russia and take an additional \$45 million from earnings to put aside for potential defaults of Russia loans.

Meanwhile, the Credit Suisse Group confirmed that the Russian meltdown had cut its profits so far this year by a third to \$300 million. Germany's Deutsche Bank admitted that it had \$750 million of uninsured credit tied up in

turn to page 3, column 1

UK's growth 'almost at zero'

Mark Atkinson
Economics Correspondent

ECONOMIC growth is expected to "almost grind to a halt", and without sharp cuts in interest rates Britain could be heading for a full-blown recession, business leaders warned yesterday as the global economy took another dive.

The warning followed bleak figures suggesting no signs of a recovery in manufacturing industry, which is under mounting pressure from plunging export orders and a sharp slowdown in domestic demand.

The deteriorating outlook for the British economy was also reflected by a 0.5 per cent drop in house prices in August, the first for 20 months, according to the Nationwide Building Society.

The Confederation of British Industry's quarterly economic forecast, published yesterday, predicted that economic growth will average 2.3 per cent this year before slowing down to 1.2 per cent next year.

But even this meagre performance is dependent on cheaper borrowing costs and a dramatic fall in the value of the pound.

The CBI has factored in to its forecast a quarter point reduction in the cost of borrowing in the final quarter of 1998, followed by a further full percentage point cut to 6.25 per cent next year.

100,000 jobs at risk, page 15

Gullit pledge to Newcastle as Dalglish gets boot



Ruud Gullit: £1m deal makes him highest-paid manager

Vivak Chaudhary
Sports Correspondent

RUUD Gullit, who helped transform Chelsea into one of the country's most successful and fashionable clubs, yesterday pledged to try to do the same in the North-east as the new manager of Newcastle United.

Gullit, aged 36, is to replace Kenny Dalglish, who became the season's first managerial casualty.

A statement from Newcastle plc yesterday said they had been advised by Dalglish last week that he wanted to resign, but would not leave until a replacement had been

appointed. But Dalglish denied this last night and said he was consulting his lawyers. He said: "I have read the statement late this afternoon and I want to respond to it and give my side of the story. But I feel the need to take legal advice first and that will take time."

Gullit, who has turned down five lucrative job offers since leaving Chelsea earlier this year, will become the highest-paid manager in the Premier League with a contract worth around £1 million.

Gullit's cosmopolitan, free-flowing approach is in stark contrast to Dalglish's careful, cautious tactics and is likely to lead to sweeping changes at

St James' Park. Questions are already being raised over the future of Newcastle and England captain Alan Shearer and whether he fits into Gullit's plans and style of play for his new team.

The Gordie faithful, who have not seen their team lift a major trophy for nearly 30 years, should also brace themselves for an influx of European players, a feature of Gullit's reign at Chelsea.

His appointment follows a period of turmoil on and off the pitch. Fans have been unhappy at the team's lack of success and tactics and earlier this year Freddie Shepherd, the Newcastle United chairman, and director Doug

Hall resigned after making disparaging remarks about the fans and publicly surrounding their conduct. They both returned to the board last month.

Mr Shepherd said yesterday: "In welcoming Ruud to Newcastle, we believe we have the ideal person to succeed Kenny and continue the club's development."

"Ruud's record suggests he is very well equipped to lead the team to the success to which we all aspire."

Gullit, a former world and European footballer of the year, joined Chelsea in 1995 and a year later became player-manager. He helped transform the team, but left

after failing to agree a new contract.

Jon and Phil Smith, Gullit's agents, said: "He turned down five jobs and this is the right one... Ruud has waited all this time and he believes this is the right club for him. He decided in about 60 seconds."

John Regan, vice-chairman of the Newcastle Independent Supporters' Association, said: "Kenny won't be greatly mourned. After the Keegan days we were happy to sacrifice a little bit of the cavalier approach for some success, but under Kenny we've had very little of either."

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Some 200 convicted terrorists are to be released within two months under the Good Friday Agreement, despite Unionist protests.

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Renewed fighting erupted around Kinshasa as the Congo capital, as the UN Security Council failed to help President Laurent Kabila.

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Finance

Secretary's power to the threat of legislation from the House of Representatives, which may force the president to take action on his September 11th.

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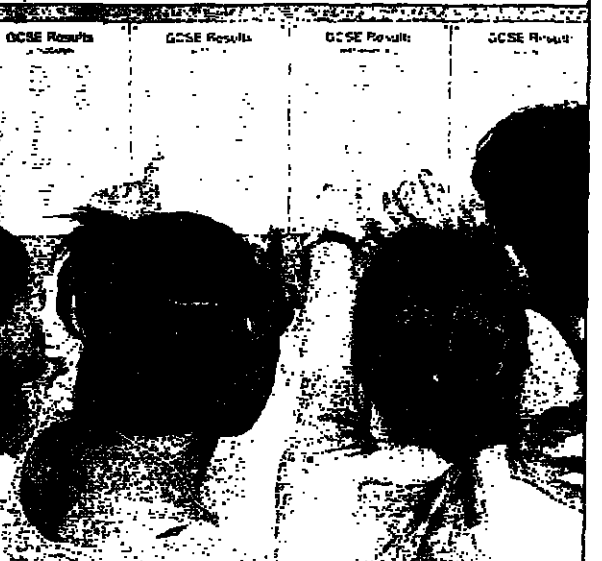
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Scotland Yard admits Britain could be target in terrorist war as diplomatic staff are sent home from Sudan in retaliation for air strike

Kenya bomb suspects face US trial



Salim: Flown from Nairobi to New York by the FBI

Gary Young in Washington, Richard Norton-Taylor and Duncan Campbell

TWO suspects in the American embassy bombings in Kenya were yesterday sent for trial in the US, where they could face the death penalty. The move came as senior Scotland Yard sources said that London and other major cities offer a "target-rich environment" for terrorist groups planning a holy war against Americans around the world.

Khalid Salim, believed to be a Yemeni, was flown from Nairobi to New York by the FBI and appeared before a judge on 12 counts of murder, conspiracy to murder and possessing weapons of mass destruction. The other man, Mohammed Sadiq Howaidah, was arrested in Pakistan on the day of the bombing and is believed to be Jordanian or Palestinian.

The US attorney-general, Janet Reno, hailed the arrests as part of "the most extensive international investigation" in history. The blast killed 258 people and injured more than 5,000.

Mr Salim is alleged to have admitted tossing a grenade at a guard outside the Nairobi embassy and to have said that he did not expect to survive the attack. He allegedly confessed that he had been trained in explosives, hijacking and kidnapping in Afghan camps run by the Saudi millionaire Osama bin Laden, who has been accused of orchestrating the bombings.

A senior Scotland Yard source said yesterday that anti-terrorist officers have been liaising with the FBI and other relevant authorities over the latest spate of bombings. A bomb warning was received by the London branch of Planet Hollywood within minutes of Tuesday's blast in the Cape Town restaurant.

"All our contingency plans are in place," said the source. But he said their task was made more difficult by the fact that attacks could come from "one-off, spontaneous groups" not known to intelligence services. The source said that trying to anticipate an attack anywhere in the world was an enormous task as the current situation created a "target-rich environment".

The Foreign Secretary, Robin Cook, yesterday ordered the temporary withdrawal of British staff from the embassy in Khartoum, Sudan, amid increasing speculation that he had misgivings about last week's US missile strike on a chemical factory in the city.

Sudan asked the staff to leave because of the Government's support for the US attack. Mr Cook said the decision would not affect British aid operations since relief was mainly channelled through UN agencies and charities.

Peter Hawkins, an emergency officer for Save the Children, said his aid workers would stay in Sudan to help the 2.5 million people who required life-saving assistance.

Meanwhile, the Conservatives last night leapt on Whitehall suggestions — first reported in the Guardian — that the Foreign Office privately believes the US may have bombed an innocent target in Sudan and that Mr Cook was "uncomfortable" with Tony Blair's strong support for the US strikes. Cheryl Gillan, the shadow foreign affairs spokeswoman, challenged Mr Cook and Mr Blair to deny such a rift.

Asked earlier about reports that the FO thought that operations at the Khartoum factory may have been innocent, Mr Cook replied: "I read those reports with surprise".

He added: "We have supported action against terrorism by America and we will continue to support action

that brings home to terrorists that they cannot act without being held responsible for what they do."

MPs are likely to raise the issue when the Commons debates the Government's anti-terrorism package next week. Labour MP Tam Dalyell said yesterday: "It would be extremely odd if the House of Commons were recalled and this subject were not raised, because there are many, many scientists and others in the country who simply do not believe that this evidence that the Government claim to have actually exists."

Labour MP Andrew Mackinlay, a member of the Commons Foreign Affairs Select Committee, also voiced scepticism and suggested the FO should reveal to selected MPs the intelligence on which the Government had based its support for the US. "There hasn't been any real indication as to what grounds there were for attacking what we



Howaidah: was arrested in Pakistan on day of bombing

Plea to end TV's 'nanny state'

Janine Gibson
Media Correspondent

TELEVISION viewers should be given more power by slashing the roles of watchdogs and regulators, an audience of the industry's elite will be told tonight by one of the country's leading independent producers.

Peter Bazalgette will use the keynote MacTaggart memorial lecture, which opens the Guardian Edinburgh International Television Festival, to demand that audiences be given more value and the right to self-police.

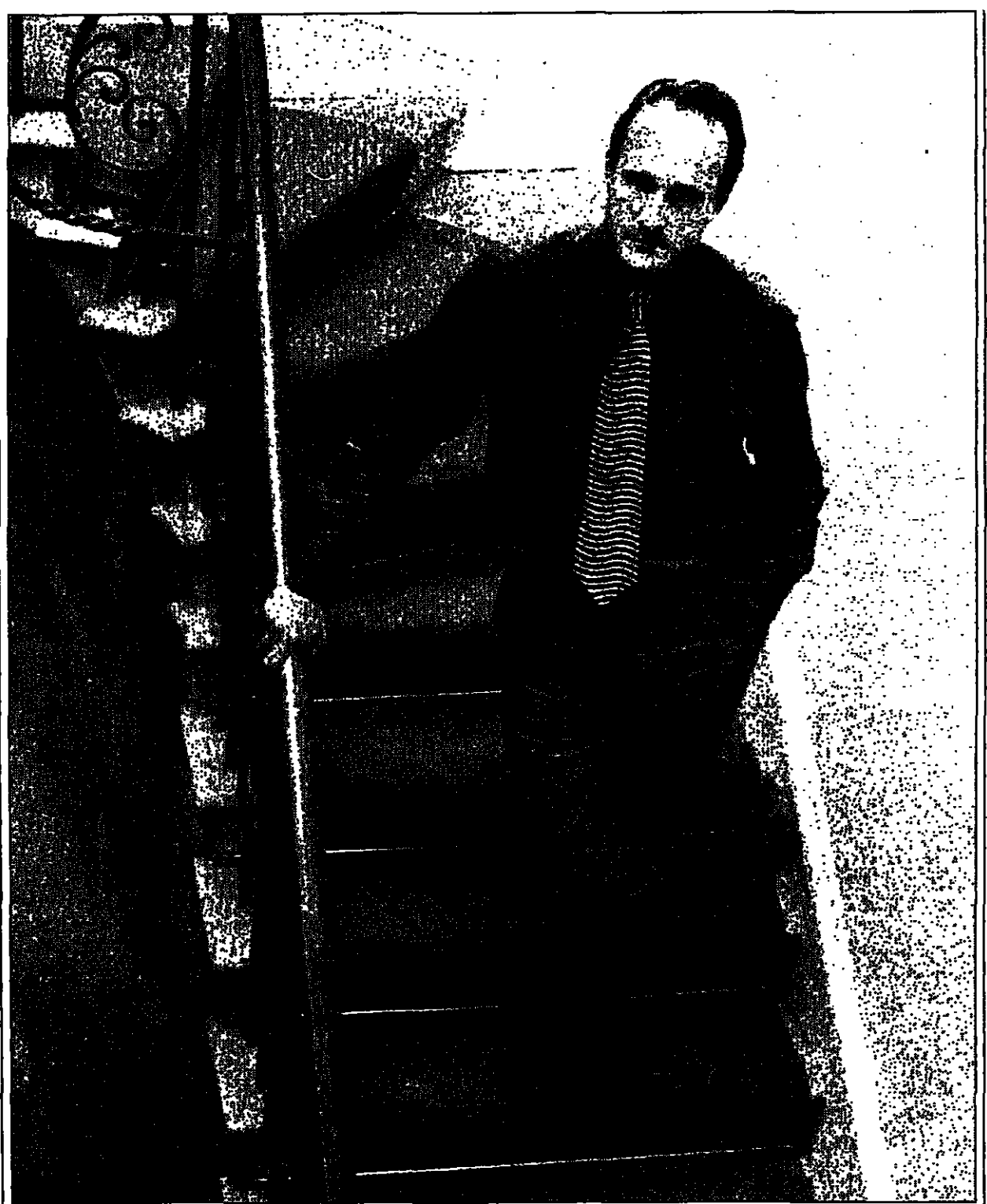
"In the end, with individual electronic programme guides, we will make our own selections and we will bar our children from material we think is unsuitable... From now on, the audience will decide what's quality and what isn't. We will police ourselves," Mr Bazalgette will tell the festival.

He is managing director of Bazal (part-owned by the Guardian Media Group), and the force behind several series including *Changing Rooms* and *Can't Cook Won't Cook*.

There are two regulatory bodies which monitor programme quality and standards: the Independent Television Commission, which also polices ITV's programme promises, and the Broadcasting Standards Commission, which handles complaints and taste and decency issues.

Mr Bazalgette, who describes the chairman of the BSC, Lady Howe, as "the biggest busybody of them all", proposes to scrap the BSC — calling it a "toothless poodle" — and curtail the powers of the ITC over programming. Claiming they are out of touch with the opinions of the viewers, he says regulators have a "compulsion to impose [their] taste on the rest of us".

He said yesterday: "It should be up to the audience to decide what the audience wants to see." He will argue



Peter Bazalgette... "From now on, the audience will decide what's quality and what isn't"

PHOTOGRAPH: PETER GOODWIN

that if programme standards slip, viewers will simply switch off.

Similarly, he will argue that "audience power" will eliminate the need for a gun watershed when multi-channel television is widely available.

Mr Bazalgette will propose that ITV's public service remit should be abolished,

leaving the channel free to broadcast whatever programmes it likes. ITV is currently required to show fixed quotas of religious, education and regional programmes as part of its licence to broadcast.

ITV companies are in the process of negotiating the payments they make to the Treasury for their franchises.

In return for lowering the multi-million pound payments, says Mr Bazalgette, the ITC will hold ITV to its programming remit for another 10 years. This "pact with the devil" threatens ITV and the viewers, he says, suggesting that licence payments be phased out to "cut the ITC down to size".

Mr Bazalgette's proposals

come as the ITV network has proposed to increase, rather than decrease, the regulator's powers. Earlier this year, ITV proposed that the ITC's powers be extended to cover the BBC as well as commercial broadcasting.

Previous MacTaggart lecturers include Rupert Murdoch, Janet Street-Porter and John Birt.

Tories will lose again - Thatcher

Michael White
Political Editor

BARONESS Thatcher last night warned the hearts of Labour strategists when she predicted that Tony Blair would win the next election, and reminded voters with short memories why her own party lost the last one — internal squabbling in the ranks.

The former prime minister did not put it that way herself in the interview she gave to *Saga*, the magazine for older people. In characteristic form she blamed the worst Conservative defeat this century on the fateful move made by Tory MPs seven years ago: their decision to overthrow her — "that incident," as she called it.

"The people who brought about that incident are responsible for the biggest defeat the Conservative Party has ever had. They have let the Labour Party in, and big! You won't turn that round in one election," Lady Thatcher predicted. Few MPs dispute that calculation. But Tony Blair is leaving nothing to chance in his crusade for a second term.

Lady Thatcher's remarks will be duly logged on Labour's Millbank computer. She said that the "disaster" on May 1, 1997, when Mr Blair won his 179-seat Commons majority, "was catastrophic for me because I got things right and that defeat stemmed from that incident," she said.

Though she criticised William Hague's European policy — she wants him to rule out UK membership of the euro for all time, not just two parliaments — she did offer the new leadership some comfort. At 72 she does not plan a comeback unless by popular demand.

Describing herself as a "backstop, always there for anything anyone may want," Lady Thatcher conceded that no-one should ever try to "go back", and that there were always young people ready to take over. Mr Blair appears to be a case in point, since she has privately praised him as a worthy leader and has even been consulted by him.

Yesterday's remarks, the latest symptom of the Tory infighting which characterised the Thatcher-Major years, came amid gossip revelations about her retirement habits. Sir Denis Thatcher,

now 83, "hasn't been able to grasp a golf club for about a year now, which is sad," because of arthritis in the hands, his wife revealed. "He goes off to watch rugby with his friends, which I like to see him do."

Lady Thatcher herself is suffering a slight loss of hearing. She gave fellow-olderies an insight into her domestic life which many will recognise. The frugal Thatchers do their washing-up together by hand because they no longer produce enough dirty dishes to justify using the dishwasher.

She also admitted that she does not see as much of her twins, Mark and Carol, as she would like. "It's very sad. It's something I thought would never happen," Mark Thatcher, a peripatetic businessman, lives in South Africa with his Texan wife, Diane. Carol Thatcher lives in Switzerland with her boyfriend.

"You can't have everything. My greatest delight is when my daughter-in-law sends me photographs of the grandchildren. Apart from seeing them in the flesh, that is the greatest pleasure I have in the whole year," the former Iron Lady conceded.

Macabre adult pantomime soaked in porter

Review

Mic Moroney

AT Swim-Two-Birds
Peacock Theatre, Dublin

YOU might think it daft even to contemplate staging Flann O'Brien's demented, satirical meta-fictional novel of 1939, with all its "planes and dimensions", its characters in murderous search of their authors, its menagerie of creatures culled from Irish mythology, pulp Westerns, ironic fairy lore and the scuzzy, hard-drinking milieu of Dublin hostels of the

1930s. Yet playwright Alex Johnston has had a go, and the script has been handed to young director Jimmy Fay, with all the resources of the National Theatre behind him.

The result is a kind of de-ranged Alice in Wonderland, shredded through Pirandello and Tristram Shandy; heavily tinged with the macabre melodrama that Fay and his Dublin company, Bedrock, have long espoused.

It's best to abandon all hope for plot or rational meaning in the tumult of O'Brien's routines: the conspiratorial characters who drug their bedridden author, Mr Trellis, and eventually try him for crimes against humanity in a chaotically cruel courtroom of the

imagination. Closer to the surface of the wordstream are the tribulations of the indigent young student-writer in his lice-ridden bed as, defying his reluctantly supportive uncle through visionary bangers, he dreams up Pookas, Ring-send cowpunches and "jumping Irishmen".

To be honest, the production simply shouldn't work as, between its sped-up longeurs and rampant discontinuities (all faithful to the novel), it defies all half-decent laws of theatrical flow.

But Fay's policy of stunts and sight gags, and a set and lighting plan which must be a nightmare to operate, give the thing a runaway life of its own as an adult meta-panto, mari-

nated in porter. The sumptuous design well supports the fantastical aspects, which all collide in the beercrate-and-poker party that stumbles in after-hours to the Red Swan hotel.

Apart from Brendan Conroy's quintessential Dublin poet ("a pint of plain is your only man"), the characters crawl out from Irish myth and legend: the age-raddled, tire-some Fionn MacCool, or Mad Sweeney, half-naked and covered with flesh, weeping wounds. Best of all is Ned Dennehy's statesque, gravel-voiced Pooka, icily lacing the proceedings with ambiguous evil.

I'd hate to be a confused tourist, awash in the language

and anarchic, hyperliterate humour. There are flaws in the piece — and indeed Fay could easily have trimmed the tonnage of many a long routine.

But it's very interesting to see it given such a committed young-minded treatment, and one which eschews easy punch-lines, aiming instead for loonish and often demanding integrity.

O'Brien remains an enduring inspiration, and a well-earned antidote to the monolithic shadow of Joyce. Despite its production values, this tribute to him is a passionate exchange of words, ideas and narrative fragments, which more than rewards careful listening.

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مكتبة الصالح



Krishan Radia is the youngest child ever to pass the exam. But his tutor, Ronald Ryde (above) says he is no swot, just very well motivated, John Carvel reports



Krishan Radia: lay awake for two nights in expectation of the result of his GCSE exam on Information Systems

PHOTOGRAPH: MARTIN ARQUES

200 terrorist prisoners on ceasefire to be freed

John Mullin
Ireland Correspondent

ABOUT 200 convicted terrorists are expected to be freed within two months under the Good Friday Agreement. It was revealed yesterday.

Seventeen paramilitary prisoners, including a murderer, will be the first to benefit from the accelerated release programme if they are released, as expected, a week on Monday, four days after the Government's new anti-terrorist package is due to become law.

The Government has refused to bow to Unionist pressure to postpone implementation of the amnesty scheme in the aftermath of the Omagh bombing, which killed 29 people. Unionists fear that some republicans, once released, might join the Real IRA, as one IRA prisoner freed in the Irish Republic in May is believed to have done.

The scheme initially involves prisoners who committed terrorist crimes for the IRA, Ulster Defence Association, Ulster Freedom Fighters, or Ulster Volunteer Force. All are linked to political parties who negotiated the agreement.

Brian Curran, the joint chairman of the Sentence Review Commission, set up to implement the scheme, admitted there could be no guarantees that those released would not re-offend. He said: "All we can do is to exercise our discretion in a careful manner, taking into consideration the information given to us by the parties."

Mr Curran, a South African lawyer, said the Omagh massacre played no part in the commission's deliberations. He said: "We have a mandate. Although we all share in the tidal wave of sorrow, we have to continue with our work. Our job is to implement one aspect of the agreement."

Applicants for release must complete a form saying whether they support one of four organisations which would disqualify them. They are: the Real IRA, the Irish National Liberation Army, the Continuity IRA and the Loyalist Volunteer Force.

Only the Continuity IRA

has yet to suspend its military campaign. Mo Mowlam, the Northern Ireland Secretary, can alter the list of proscribed organisations in an order put before Parliament. It is expected that the INLA will be removed later this year to allow its 30 prisoners to qualify for early release. The INLA called its ceasefire six days ago.

The scheme gives two-thirds remission to terrorist prisoners with determinate jail terms of at least five years. They were previously entitled to 50 per cent remission, itself an increase on the one-third on offer until three years ago. It also requires the commission to calculate release dates for lifers using the same criteria used until now in Northern Ireland by the Life Sentences Review Board. It then takes away one-third of the calculated sentence.

Under the scheme, only 34 prisoners sentenced to life and 29 determinate prisoners will be in prison in two years. The figures would otherwise have been 88 lifers and 133 determinate prisoners. The agreement stipulates that those still in jail in two years will be eligible for release regardless of sentence.

Each of those benefiting from the scheme is released on licence and can be jailed if he re-offends. Latest figures indicate that only two of 462 paramilitary prisoners sentenced to life since the start of the Troubles have re-offended. But there is an important point that will infuriate many Unionists. Sources confirm that prisoners will not be recalled if the group they belong to calls off its ceasefire.

Ulster Unionist MP Jeffrey Donaldson, an opponent of the Good Friday Agreement, last night criticised the Government for pushing ahead with the releases before any decommissioning of terrorist weapons. He said: "It shows that they have little regard for the feelings of the victims of terrorist violence."

Hardline Unionists are opposed to Sinn Féin taking up its two places in the proposed power-sharing executive when the IRA starts handing in its weapons. That issue will dominate the next month in Northern Ireland, with the assembly due to reconvene on September 14.

Six-year-old sets GCSE record

IN JANUARY six-year-old Krishan Radia could not manage joined-up writing and struggled to understand the meaning of complicated words.

Yesterday, he was being feted as an academic prodigy after becoming the youngest person ever to pass at GCSE.

The boy, from Kerton in north-west London, gained a C grade in Information Systems after studying for only four hours a week at Ryde College, a private tutorial institute in Northwood, Middlesex, that specialises in developing youngsters' interest in computers.

GCSEs are normally taken by 15- or 16-year-olds after a course lasting nearly two years. Krishan took papers set by the Midland examination group — including a coursework project that required him to devise a fairly sophisticated computer programme — after only five months of classes in the evenings and at weekends.

Krishan's parents paid £700 a term for these facilities. Ronald Ryde, the college principal, said the boy was not so much brilliant as well-motivated.

"The thing that puts him apart is his staying power. Once he has made up his mind to do something, he will do it and stick with something until he understands it. He's a chatty, friendly fellow, and would not strike you as being a swot."

Yesterday he was chatting comfortably in an extended

The questions

Sample questions from Krishan's GCSE Information Systems paper:

□ A spreadsheet is being used to work out the total cost of a holiday. Give two ways in which the spreadsheet can be tested.

□ Give two ways that data in a computer file can be protected from being seen by unauthorised people.

□ Describe two ways the Data Protection Act tries to protect individuals from the misuse of personal data held on computer.

□ Other than the misuse of personal data, describe two ways in which Information Technology has created problems for the individual.

□ A company uses mail order to sell its goods. A new computerised system is to be introduced.

(a) Describe two steps involved in implementing the system.

(b) Give two items of user documentation which would be supplied with the system.

□ A company has branches all over the world and uses electronic conferencing to communicate with its employees.

(a) Describe the electronic conferencing.

(b) Give two benefits to the company and its employees of using electronic conferencing.

□ Computers can be used in science laboratories to collect data from experiments.

(a) Give three reasons why computers are used in this way.

(b) Give one example of an experiment in which data-logging is used.

(c) Describe how IT is used to create a report on the experiment.

really want to do history GCSE as well."

Dr Ryde said the education system was at fault for not allowing pupils to develop their talents.

"Society is doing our children a big disservice by running schools according to age instead of ability. A few may let pupils take maths GCSEs a year early, but nobody is organising education to allow children to achieve their full potential."

"I would like to see a children's university. They would take their GCSEs at 10 or 11. A levels at 14 and complete degrees by 17. There would be plenty of uses for their talents."

Dr Ryde said Krishan started attending the college in October. "When he arrived, he could only write slowly in pencil. By Christmas we realised that he had the potential for taking GCSE this year."

"In January we started by teaching him to write efficiently with joined-up letters and understand the meaning of words so he could tackle the exam questions."

The college has about 90 students, mostly younger children learning in advance of their years. This year 48 took GCSE and 30 did A level — including a 12-year-old Harrow boy who got a grade C in computing.

Michael Ryde, the principal's son and a computer consultant who teaches part-time at the college, said it had a maximum class size of five

pupils for practical work and 15 for theory. It used state-of-the-art computer equipment "because you can't hoodwink kids by using old technology."

"The secret we have is that we try to motivate them to do it. We try to keep them interested. If they are, we will encourage them as much as we can. Children can learn an awful lot at that age. Put them in a foreign country and they will have picked up the language and accent within a year or two. They can learn a tremendous amount of maths, science, computers and languages."

Krishan took the GCSE foundation-level paper in information systems — the easier option allowing candidates to score a maximum of

grade C. The boy's mother Neeta, a 35-year-old travel agent, said he worked well under pressure.

"He absolutely loves doing it, and that's the only reason I let him. He hasn't slept properly for two nights because he's been so excited about getting the results."

Krishan, who will be seven in October, said he was happy to attend evening classes instead of playing with his friends.

But wouldn't football be more fun? "I don't know how to play football. But I would like to learn that and basketball. I do ice-skating and badminton and I'm quite good at them," he said before returning to the FR men for his next assignment.

Relatives dubious on CJD tests

Providing an advance diagnosis 'won't help when there is no cure'

James Melville

RELATIVES of victims of human BSE questioned last night whether other people would want to know that they might fall victim to the disease.

The Government yesterday confirmed the first stages of a programme it hopes will eventually map the scale of the disease in Britain — and lead to a way of diagnosing the fatal condition in people before they display outward signs, including dementia and loss of bodily control.

Officials and advisers admitted they were still considering the ethical rules likely to govern the programme involving samples of appendix and tonsil operations, revealed exclusively in the Guardian yesterday, but two mothers of victims asked how

prospective victims might be helped by knowing they had a propensity to the disease which was so far both incurable and seemingly impossible to control.

Penny Sinnott, whose daughter Nina died in May last year, said the family had refused offers of other tests on her tonsils when she was already obviously seriously ill, part of a programme designed to bring forward diagnosis which at present is only confirmed when the brain is examined after death.

Other people might feel differently, but "when you can see your child getting worse, you almost know there is no hope. The most important thing is to get the best care possible."

Dot Churchill, mother of the first known victim, Stephen, who died when he was 19 in May 1995, said:

"Why would you want to be told 'We have just found a sign of the disease'?"

"It is another piece of the jigsaw but it is not going to help actual victims or future victims at the moment."

Expert panels will begin meeting soon to determine the ethical rules for the preliminary tests which will probably be anonymous. Researchers want to see if

"It is not going to help actual victims or future victims at the moment"

they reveal further signs of the rogue protein associated with the disease, following the its chance discovery in the lymphoid tissue in an appendix removed from someone who later developed outward signs of the disease. Tony Barrett, 45, a coast-

guard, died in June, and doctors later examined the appendix, removed in September 1995, one of thousands of samples routinely kept following operations. His daughter Paula said: "If they can diagnose the disease early it has got to be good, but I can't really take it in. It is too close to his death."

Officials will consider further guidance if a decision is taken later to screen patients about to have their appendix or tonsils removed and the question of informing them of results is raised.

Individual tests take about two days and involve the use of antibodies to react with the rogue protein, James Ironside, of the CJD Surveillance Unit in Edinburgh and a senior member of the research team, said: "The staining technique is a straightforward method and with appropriate approval and resources, we could start in the next few months."

Leader comment, page 13

School head failed to stop sex abuse

John Mullin
Ireland Correspondent

A LEADING grammar school in Northern Ireland was yesterday savaged in an independent report over its failure to prevent the systematic sexual abuse of boys aged 11 to 13 over three decades.

Tom Patton, head teacher at

Bangor Grammar School, had failed to act when complaints were first made against Lindsay Brown, vice-principal, in 1969. Mr Patton has taken early retirement.

Brown, aged 57, a Scripture Union leader and pillar of the Presbyterian Church, was jailed for seven years in March.

He was found guilty of nine offences of indecent assault

and two of gross indecency against pupils in his care from 1968 to 1981. Judge Peter Gibson, passing sentence, described Brown as "evil".

Brown had denied the charges, forcing his victims to give evidence in court. The sex assaults took place during summer camps at Castlerock in County Derry, during a ferry trip to Liverpool and at a swimming pool.

Police investigated Brown in 1981. The inquiry was then inconclusive. Five years later, after further complaints, he was charged.

Mr Patton had in the intervening period promoted Brown. He had even given him responsibility for dealing with child abuse matters. The Government ordered the inquiry after Brown's conviction.

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Russia in crisis

The crisis is open ended, and Mr Clinton flies into Russia like an ill-prepared tourist with and out-of-date guide book

The post-Yeltsin era begins

THE FUTURE/ Russia-watchers should not expect blood on the streets of Moscow, but the country's political elite is facing up to the agony of real change

James Meek in Moscow

WELL before the August financial crisis exploded in Russia, warning bells should have been ringing in the White House about the advisability of President Bill Clinton hobnobbing with Boris Yeltsin in Moscow.

Now that the Russian debt bomb has gone off, any benefits of next week's trip — political, human or economic — are void. This is not one of those periodic crises that Mr Yeltsin can muddle through, or hide from and emerge unscathed. This crisis is open-ended, and Mr Clinton flies into Russia like an ill-prepared tourist, with an out-of-date guidebook, a map that no longer makes sense, and no bulging bum bag of dollars to smooth his way with the locals.

The world has grown accustomed to the cynical argument underlying Mr Clinton's warm support for Mr Yeltsin. Their presidencies have kept in step over the years, beginning with so much hope and now faltering together.

All Mr Yeltsin's moral failings — his illegal dissolution of parliament in 1993, his constant lying about the bloody war in Chechnya which he began, his plunder of state funds during the 1996 presidential election — were written off by the West against the gain of having an ally in charge of the world's second-largest arsenal of nuclear weapons.

Bad as Mr Yeltsin was, the argument ran — and still seems to run in Washington — he was better than the inevitably nationalist, inevitably anti-US alternative.

Yet even in terms of that dubious argument, Mr Yeltsin has been a growing threat to US and European national security for years. If there is one thing more dangerous than a nuclear-armed, neutral state, it is a nuclear-armed, friendly state where the people operating the weapons don't get paid for months on end.

It was Mr Yeltsin's failure to negotiate a settlement with the Chechens and their neighbours which threatens to make the region a new centre of Islamic fundamentalism.

Most pertinently in the present crisis, it was Mr Yeltsin who consistently sabotaged the liberal economic reforms, backed by Western governments, which pro-Western Russians such as Yegor Gaidar and Sergei Kiriyenko tried to carry out.

To be fair to Mr Clinton and other Yeltsin buddies such as Helmut Kohl, it is not easy to stop supporting the elected leader of a reasonably friendly country. But what has always been offensive and is now proved unwise was the superfluous warmth towards him, the effort to yield to his desire for praise from world leaders rather than to force him into serious discussion, the missed opportunities to politely criticise him.

The Yeltsin era is over, and with it Russian reliance on foreign financial bail-outs. No one can predict where Russia will go from here.

Arguments in the West about who "lost" Russia — too much aid? Too little aid? The right Western policies wrongly applied? The wrong Western policies wrongly applied? — are patronising. Russia was never ours to lose. Without excusing the dreadful mistakes Western advisers and investors have made in Russia, the country cannot be saved if it cannot save itself. A lifeline from the International Monetary Fund is not enough for a country that keeps putting lead weights in its pockets. As a Russian journalist, Pavel Fyngenhauer, put it: "Russia doesn't like to learn from other people's mistakes. It prefers to make its own."

There is a tendency in the Western debate to see Russia as the victim of a terrible experiment — a terrible communist experiment, in the economic liberal view, or a terrible capitalist experiment, in the anti-Thatcherite view. In reality, Russia is a series of incomplete experiments, one piled on top of the other, stretching back to the brutal 17th-century reforms of Peter the Great — even, it could be argued, to the conversion to Byzantine Christianity 1,000 years ago, imported, like Microsoft Windows, wholesale, off the shelf.

Slowly, but with encouraging determination, Russia's tiny political establishment moved towards the agony of real change this week. The most likely outcome of the upheaval is not, yet, blood on the streets, or an extreme nationalist dictatorship.

It is a surrender of most executive powers by Mr Yeltsin, who will move into virtual retirement; the assumption of leadership by the government, probably headed by Viktor Chernomyrdin; a far greater role for the parliamentary majority in forming policy; and a new economic programme embracing inflationary spending to invest in agriculture and in-



Muscovites (above) fight their way into a bank yesterday. Boris Yeltsin (top right) is to move into virtual retirement, leaving Russia in the hands of Viktor Chernomyrdin (above right)

dustry, import tariffs, tighter currency controls, and limited nationalisation.

It sounds revolutionary. It is. It sounds good. But as long as agreement about implementing it is not reached between president, parliament and government, the rouble will go on falling and inflation will rocket. And it is not enough to tackle Russia's fundamental problems.

It does not address corruption. It does not address the federal government's inability to enforce policy in the regions. It does not deal with the mess of ethnically based feuds violating civil rights and sucking in subsidies. It does nothing to help the millions of Russians who are stuck in Arctic communities. There is no parliamentary majority: even the Commu-

nists themselves are deeply divided. And if parliament decides where to channel the newly minted flood of roubles, we can look forward to pork-barrelling on a grand scale, with the cash being poured into military factories and inefficient collective farms for directors to line their pockets, workers to pilfer and little of use to be produced. Watching Russia's crisis

unfold, there is a sense of a Western audience impatient for a dramatic upheaval, a social explosion — now, soon, tomorrow. But this isn't God-forsaken Jakarta. A longer sense of time is required, a sense, perhaps, of the time-scale of Germany from Versailles to the Reichstag fire. A weak, indecisive Russian coalition government could limp on under hyperin-

flation for months or years until some force — the neo-Gaullist Alexander Lebed, or a genuine grassroots liberal movement, or a genuine grassroots fascist movement — put it out of its misery. In 1995, Professor Alexander Yanov, author of *After Yeltsin: A Weimar Russia*, wrote: "The history of the Weimar Republic was brief — just 15 years long. But it will

forever remain a striking illustration of an implacable historical law: any attempt to reduce the giant task of democratic transformation of an imperial leviathan to the trivial problem of money and credits ends without fail in a world disaster."

Analysis, page 11; Larry Elliott, page 12; Leader comment, page 13

Previous economic crises

Germany 1921



Another use for the German Mark during the inflation of the 1920s

In the aftermath of the first world war, the fledgling democratic government of Germany lost control over its economy. Battered by war reparations imposed by the allies, the government turned on the printing presses to meet its debt. The result was inflation on an unknown scale. In 1919 a dollar was worth around two marks. By the time the government finally got inflation under control, a dollar was worth four billion marks. At the height of the crisis, paper money was sold by the hour. Workers were paid twice a day and allowed to take their goods before their wages lost their value. By 1923 prices were rising at a rate of 100 per cent a month. Shopkeepers gave up charging prices on their wares, and simply passed each hour's worth to multiply the price tag. The government was unable to print enough to change the value of the money and so it simply overprinted old stamps with the new valuations. In 1920 the highest value stamp was worth four marks. Three years later, the highest value stamp was worth 50 billion marks. The situation was finally brought under control in 1923 by the new head of the central bank, Hjalmar Schacht. Shock treatment, and a bold independent of government guaranteeing the value of the currency worked. But the effects of hyperinflation were a lasting redistribution of wealth. The poor who had no savings to lose and the rich who were able to buy gold and other assets not affected by price rises largely escaped. It was the middle classes who suffered.

Mexico 1982



Former US Treasury Secretary Nicholas Brady advised Mexico to reduce its foreign debt

Along with other Latin American countries, the Mexican government had built up large debts on the back of borrowing of loans in the 1970s and a massive expansion of its petroleum industry. When the oil price shock hit in 1979, weaker governments began to default on their loans. Mexico was no exception. In August 1982, the government announced that it was suspending debt repayments for three months. A string of Latin American countries followed Mexico into default. The International Monetary Fund and World Bank, central meeting in Toronto. With no access to new foreign capital, the country faced economic disaster. Output grew by just 0.2 per cent on average between 1989 and 1992. At the end of the 1980s with most of Latin America still mired in debt despite repeated restructuring agreements, the US Treasury Secretary Nicholas Brady came up with a new scheme. In exchange for agreeing to economic reforms, the countries were allowed to turn their loans into long-term bonds guaranteed by the US government. The so-called Brady bonds were a success, allowing the countries to escape the debt overhang while giving the banks some return.

Indonesia 1997



Indonesia's crisis in 1997 was the result of a combination of factors, including a collapse in the value of the rupiah and a loss of confidence in the government

At the beginning of last year, Indonesia's economy had been growing at 5 per cent. A combination of factors, including a collapse in the value of the rupiah and a loss of confidence in the government, led to a crisis. The government's response was to devalue the rupiah and to seek international assistance. The International Monetary Fund (IMF) provided a \$4 billion loan to help the government stabilize the economy. The government also implemented a series of reforms, including privatization and strengthening the legal system. By the end of the year, the economy was beginning to recover, with growth returning to 5 per cent.

Why Brezhnev era of stagnation now looks like a lost golden age

WHAT is at the root of the present crisis in Russia?

The national currency, the rouble, has collapsed. Not only is its value against key currencies such as the dollar and the mark in free-fall, but the adoption of *laissez-faire* policies, then reaching the zenith of fashion in the west, 70 years of a semi-militarised collectivist economy that was simultaneously capable of exploring space and incapable of feeding its people. It was, then, at the end of the 1980s, expected to leap from this peculiar position to a full *laissez-faire* economy.

Who expected this to happen?

Principally, the economic and policymaking elites of the West, supported by a new generation of Russians who believed the shrugging off of Communism and the adoption of full-blooded free markets followed one another as day follows night. They decided the only remedy was "shock therapy" — rather than the more gradualist approach favoured by former Soviet president Gorbachev.

What happened? Gorbachev's limited reforms started to come apart at the seams around the time of the abortive August 1991 military putsch. The KGB and other top brass looked millions of dollars of gold and diamonds from the collapsing USSR.

Meanwhile, western aid policies were erratic. As Com-

munism disintegrated, the West ought to have poured aid, but did not. A little later, it promised aid and then did not deliver. Finally, it delivered aid. By then, not only was it too late but was tied to the adoption of *laissez-faire* policies, then reaching the zenith of fashion in the west. Leaders such as Boris Yeltsin were graded in the West by the extent of their commitment to "reform", which was code for free-market policies. Meanwhile, consultants and other experts, keen to use the former Soviet Union as a test-bed for unfettered *laissez-faire*, descended on the country.

How bad are things now in Russia?

Put it this way, the "crippling" slump of early 1990s Britain saw the UK economy shrink by about 3 per cent. Since 1989, the Russian economy has shrunk by more than 40 per cent and it is still shrinking. That means that nearly half the wealth and economic activity bequeathed by the Communists has ceased to exist. Some examples: crude steel production is down nearly 50 per cent, heavy production by 80 per cent, metal cutting machines by nearly 90 per cent and electricity generation by more than 20 per cent. And some regions have suffered more harshly than others. One area of eastern Siberia has industrial output at only 10 per cent of its USSR level.

As it was, the lack of a safety net and the absence of a civil society has plunged Russia into an era of robber barons and chronic insecurity. It is not surprising if the "era of stagnation" under Communist leader Brezhnev is starting to look like a lost golden age.

Compiled by Dan Atkinson and Larry Elliott

مكتبة الامير



An angry mob drags the body of a burned Tutsi through Kinshasa streets yesterday. Many view the rebel onslaught against Kabila as a foreign invasion. PHOTOGRAPH: PETER ANDREWS

Kabila rescue squad swells

Nicholas Pylethier
in Kinshasa and
Alex Duvall Smith
in Johannesburg

FRESH fighting erupted around Kinshasa, the Congo capital, yesterday as allies sent reinforcements to help President Laurent Kabila fend off a Tutsi-led uprising.

The sound of automatic gunfire could be heard in the background as one resident in the sprawling suburb of Masina told Reuters that locals were joining in efforts to clear knots of rebels from

Kinshasa. Some rebels had been beaten to death.

"The local population is very much against them," the resident said by telephone.

Zimbabwe's president, Robert Mugabe, Mr Kabila's most militant supporter, was reported to have sent in more troops to join the 600 already in the capital, which is under a dusk-to-dawn curfew.

White mercenaries have meanwhile arrived in Mr Kabila's southern stronghold of Lubumbashi, raising suspicions that South Africans are playing a covert role in attempts to keep him in power, the Johannesburg Mail & Guardian reports today.

The Johannesburg weekly also gives details of a South African security expert who has been hired to defend the late dictator Mobutu Sese Seko, as part of rebel attempts to oust Mr Kabila.

The South African government, which has spearheaded as yet unsuccessful diplomatic efforts to secure a Congo ceasefire, has denied any involvement in the conflict.

If the Mail & Guardian revelations are true, they may indicate that the hired guns are so influential that the government cannot stop them.

The most damaging allegation in the newspaper report

is that "scores of South Africans", along with more than 100 French-speaking troops, have been hired to defend the southern mining capital, where President Kabila is expected to seek refuge if he is ousted from Kinshasa.

Since President Nelson Mandela began his efforts towards achieving a ceasefire last week, South Africa has been outspoken in its condemnation of Zimbabwean and Angolan decisions to send in troops to support Mr Kabila against the rebels.

But the Mail & Guardian reports that Mr Kabila visited South Africa a month ago for military recruitment and

fundraising meetings around Johannesburg.

He reportedly received about \$20 million from a consortium including South African and Namibian business people, as well as the Namibian government.

Central to the allegations is Executive Outcomes, a South African mercenary outfit ubiquitous in African trouble spots.

The newspaper reports that Rico Visser, an intelligence officer for the company, told a journalist last weekend that it had been involved in an operation to restore electricity to Kinshasa, drawn from the Inga Dam, south-west of the

capital. The dam is one of the most strategic points west of Kinshasa.

Mr Visser reportedly tried to arrange a free flight to Kinshasa for South African journalists, to promote Executive Outcomes' role in restoring power to Kinshasa and to generate positive press coverage for Mr Kabila.

The newspaper says that the company was recently in discussions, which were aborted, to supply Mr Kabila with special VIP protection, sophisticated electronic surveillance services and air combat support.

Nicholas Pylethier is a Reuters correspondent.

News in brief

Bomb injures 18 in rush-hour Tel Aviv

A BOMB exploded in rush-hour Tel Aviv yesterday, injuring at least 18 people on a busy street near the city's main synagogue. Police said they believed Arab militants were behind the attack, though there was no immediate claim of responsibility.

The Israeli prime minister, Benjamin Netanyahu, demanded that the Palestinian Authority, in charge of self-rule areas in the West Bank and Gaza, take steps to "fight terrorism".

"It was not a large bomb, no more than several hundred grams of explosives," the Tel Aviv police chief, Shlomo Avnashki, said. The device was packed with nails.

Hospital officials said at least one of the 18 people wounded, a woman, was in serious condition. A 17-month-old baby was among the injured.

On Wednesday the leader of the Islamic fundamentalist Hamas movement, Sheikh Ahmed Yassin, said at a rally in Gaza that the group would attack Israel in retaliation for the United States cruise missile strikes last week on Sudan and Afghanistan. — Reuters, Tel Aviv.

'Radio Free Iran' to go on air

THE Czech government said yesterday that, despite security concerns, it would tentatively permit United States-backed radio broadcasts beamed at Iran from Prague, but it left open the prospect of other transmissions planned for Iraq.

Radio Free Europe/Radio Liberty plans to start transmitting into Iran and Iraq from Prague later this year, just as it still broadcasts in local languages to parts of eastern Europe.

But Czechs and employees of the station have expressed concerns about the security of what could be seen as blatant US intervention in the Middle East. — Reuters, Prague.

Auschwitz crosses 'must go'

THE Polish president, Aleksander Kwasniewski, yesterday denounced as politically motivated a campaign by radical Catholics to erect crosses beside the former Nazi German death camp of Auschwitz.

He said in Krakow that dozens of recently erected crosses at the site should be removed, while a 23ft cross under which the Polish-born Pope John Paul II prayed in 1979 should remain. "This is a political activity, which is unacceptable both for us and for our Jewish partners," he said. — Reuters, Krakow.

Britain rebuffs criticism

AN IRANIAN opposition group yesterday accused Britain of making unacceptable concessions to Tehran by promoting trade relations, allowing the regime to set up an intelligence network in London and ignoring the continuing death threats against the British author Salman Rushdie.

The claims were made by Mohammed Mohebbi, chairman of the foreign affairs committee of the National Council of Resistance of Iran. The council also claimed responsibility for the murder in Tehran on Sunday of Asadollah Lajevardi, a former Iranian prosecutor and prison director.

The Foreign Office dismissed the allegations, saying Britain did not recognise the council. — Richard Norton-Taylor, London.

Dead politicians tell no lies

A DEAD woman has made it into the Democratic Primary runoff for the United States Senate in Oklahoma, taking 21 per cent of the vote and beating two other living candidates into the final round.

The late Jacquelyn Ledgerwood, who died, aged 69, of a heart attack last month, passed away too late for her name to be taken off the ballot papers before Tuesday's vote. Her name will enter the final ballot in September, leaving political pundits wondering what will happen if she wins.

"It's really baffling," said the political director of the state Democratic Party, Brent Wilcox.

"I don't think many of them knew she was dead," the party's executive director, Pat Hall, said.

Oklahomans have a record of electing deceased candidates. In 1990 91 per cent of them voted for a dead judge. If Ledgerwood were to win the next round the party would be legally obliged to pick another nominee. — Gary Young, Washington.

Gangster's arrest exposes links between Turkish crime and state

Chris Morris in Ankara

TURKEY is bracing itself for fresh revelations of political wrongdoing after the emergence of new evidence of links between the state and rightwing gangs.

The latest twist in a long-running security scandal resembles the plot of a thriller. One of the country's most wanted men, a vicious rightwing extremist named Alaattin Cakici, was arrested last week in the south of France. He was carrying a diplomatic passport, which the government says was given to him by a Turkish intelligence agent serving in Beijing.

Mr Cakici is wanted in connection with a series of mur-

ders and extortion rackets. When he was arrested a notebook was seized which apparently contained the telephone numbers of many powerful people in Turkey — politicians, intelligence officers and senior policemen.

It has already been revealed that Mr Cakici was in contact with Eyup Asik, a minister who is a close ally of the prime minister, Mesut Yilmaz. Mr Asik has denied any wrongdoing.

There have also been suggestions that the gangster had close ties with politicians now in opposition.

Local media report a war breaking out in the higher echelons of the intelligence services, but it is still not clear who the real political masters are.

Allegations that rightwing death squads were employed by the state to kill political opponents and business rivals first emerged two years ago, when a car carrying a wanted mafia boss, a government MP and a senior police officer crashed in the western town of Susurluk.

Only the MP survived, but official documents bearing the signature of the then interior minister were found in the wreckage. The former minister and the MP now face criminal charges of abuse of power.

Turkish newspapers have for days carried banner headlines about the arrest of Mr Cakici and its consequences. The authorities have begun trying to extradite him from France to stand trial at home.

He is not the only rightwing extremist to have been taken into custody in the past few weeks. Many observers here believe this could mean that official protection for criminals who have served the state in dubious ways could be ending.

"Two leading gangsters have been captured abroad, and a third has returned to Turkey to face his punishment," the national police chief, Necati Bilican, said.

"The noose has tightened and we will not give up the pursuit."

The national security council, which includes senior ministers and powerful generals, said this week that it is determined to pursue the struggle against organised crime.

Scandal puts ex-Nato chief in dock

Belgian socialists brace for the worst as the corruption case against Willy Claes (right) and other former party grandees moves into court, reports Stephen Bates from Brussels



WILLY Claes, the former secretary general of Nato, and several senior Belgian politicians go on trial in Brussels next week on corruption charges which look likely to exacerbate existing popular contempt for the country's politicians.

The 13 men face allegations that defence contracts were awarded in return for kickbacks worth millions of pounds to party funds.

The scandal forced Mr Claes — former deputy prime minister, foreign minister and minister for eco-

nomic affairs — to resign from Nato in 1996 after less than a year in the job.

The accused also include Guy Coens, former defence minister, Guy Spitaels, former Francophone Socialist Party boss, and former party officials and French and Italian industrialists.

The case has undermined the country's two socialist parties. And it may yet further injure the centre-left coalition government of the prime minister, Jean-Luc Dehaene, which has members of both socialist parties supporting it.

The case is likely to reveal new details about the extent of political corruption and cronyism in Belgian society.

The accused are charged with "positive corruption" stemming from two bribery cases dating back nearly a decade. None is accused of profiting personally.

In 1986 the Italian company Agusta unexpectedly won a contract to supply 46 helicopters to the Belgian army, allegedly in return for payments to the socialist parties. Agusta's former boss, Raffaele Teti, is also facing charges.

The French company Dassault secured a contract in 1989 to modernise Belgium's fleet of F-16 fighter jets, in return for more payments to socialist party funds. Serge Dassault is also among those on trial.

The kickbacks, worth more than \$2 million in both cases, were unearthed by police investigations in Belgium and Italy. The Belgian case followed police inquiries into the assassination of Andre Coole, the former deputy prime minister, shot outside his mistress's flat in Liege in 1991. It has long been alleged

that Coole was killed because he had threatened to expose party corruption — or possibly because he believed the funds were not being shared out properly.

His is not the only death in the case, though. General Jacques Lefebvre, former chief of staff of the Belgian air force, shot himself as the bribery allegations emerged.

Mr Claes first denied any knowledge of the kickbacks but then admitted that he had been at a meeting when Agusta's offer had been discussed.

Like the other defendants, he claims he never agreed to the payments being received and that the party treasurer, Etienne Mange, disobeyed orders in accepting them.

"This is a tragedy which has come into my life," he told the Guardian. "It is a terrible situation... this has gone on for years. It is becoming difficult to support the pressure."

"There is no doubt Agusta money went to my party. I can only affirm the truth that, directly or indirectly, I did not know what was going on. I was never involved in the operation."

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Two callers claiming to represent Muslims Against Global Oppression initially claimed responsibility but group leaders later denied involvement. — Reuters.

Along with the Lashkar and the Hakekat, in Pakistan that network includes the Sipah-i-Sahaba (Army of the Companions of the Prophet), which destroyed an Iranian cultural

It has never before admitted a foreign woman.

Indian military officials in Kashmir rate the Lashkar-e-Taiba and the Harkat-ul-Ansar their most formidable enemies. They say some 1,500 foreign fighters have infiltrated their valley across a long and porous border with official Pakistani connivance.

New Delhi's claims are echoed by local Kashmiri militants who lament the loss of

their freedom struggle to outsiders, and are appalled at their ruthlessness. Mr Saeed and the other Lashkar leaders refer to Indian soldiers as "Hindus". The foreign fight

ers are blamed for a troubling new trend: unarmed Hindu villagers are coming under attack in parts of Kashmir previously free from violence. And Mr Saeed's ambitions do not end in Kashmir. "At this time our contest is Kashmir. Let's see when the time comes. Our struggle with the Jews is always there."

Expert queries US labelling of Sudan chemical

Gary Youngs in Washington

EMPFA, the chemical United States pointed to as evidence that the Sudanese pharmaceutical factory it bombed last week was manufacturing ingredients for chemical weapons, could in theory be used in commerce

The agency that monitors the chemical weapons ban treaty.

Empta can be used "in limited quantities for legitimate commercial purposes" including fungicides and antimicrobial agents, said Donato Kinnier-Passigiti, a spokesman for the Organisation for the Prohibition of Chemical Weapons.

US intelligence sources had indicated that traces of Empta in soil samples taken from outside the Shifa plant in north-east Khartoum provided irrefutable evidence that the factory was producing the deadly nerve agent VX.

Mr Kinnier-Passigiti admitted that the organisation knows of no commercial product that actually contains Empta, nor of another commercial compound in which it is used. But a search of scientific papers showed that it could be employed in a variety of circumstances.

US military officials have refused to comment but a Pentagon source dismissed his remarks as academic. "Just because you identify a chemical agent does not mean it has some specific official uses that does not mean anyone makes it," he told the New York Times.

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In their eagerness to prove that the plant was a "terror target", US intelligence officials were quick to accuse Sudanese at the site of working closely with the Iraqis to produce chemical weapons. President Clinton's decision to launch the strikes was at least partly influenced by reports that intelligence officers had intercepted phone calls between scientists at the factory and top officials in Iraq's chemical weapons programme.

Shortly after the bombings, Pentagon officials said the factory was guarded by soldiers and did not manufacture any commercial products. They later conceded that it did.

The Sudanese authorities have maintained the plant made only medicines and veterinary products and local people insist it was guarded no more heavily than other Sudanese factories.

Journalists who toured the debris of the site earlier this week said there were no signs of chemical weapons manufacturing.

Some American experts in chemical warfare say there is an agricultural insecticide with similar properties that can be easily mistaken for



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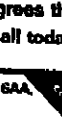
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Analysis Financial meltdown

This has become perhaps the most serious breakdown in the modern capitalist era... confidence, the lifeblood of commerce has started to bleed away

So far Europe and the United States have resisted the economic tsunami sweeping the globe. But for how much longer? Germany is in the firing line. Ultimately, says **Alex Brummer**, it's going to be up to America

In the bowels of the International Monetary Fund in Washington, three blocks from the White House, the research department is putting the final touches to the IMF World Economic Outlook — the authoritative forecast shortly to be dispatched to leading finance ministers. It makes desperate reading. Crisis in Russia matters because of that country's status as a nuclear power. This has become perhaps the most serious breakdown in the modern capitalist era, which was inaugurated at the Bretton Woods conference in the United States in 1945. The disaster has been 15 months in the making. What began with speculative attacks on Thailand, one of the minnows among the emerging market economies, has enveloped the Asia-Pacific region, jumped continents to Russia and eastern Europe and is now engulfing Latin America and the Middle East. Only the United States and the European Union nations have thus far stood proud against this tide of despondency. With each passing day it looks more likely that they too will be sucked into the whirlpool.

The transmission system for crises in the world economy remains very much what it always has been. A problem in one country — starting as in the post on Wall Street or in Vienna at the Credit-Anstalt Bank — affects confidence in

other countries, with a direct effect on trade, output and credit conditions. What is different in the present decade is how instantaneous is reaction to a run on a bank or a currency implosion in one place. Thai problems spread throughout East Asia in a matter of months, reaching Korea and Tokyo in November 1997. In much the same way difficulties in Russia have rapidly moved on and out to touch other east European countries and Latin America. By repudiating its debt — rather than negotiating an orderly programme for repayment with the global banks — Moscow has raised the spectre that countries in pain from Indonesia to Venezuela might try the same. If that happens, what has been an economic, political and social crisis in emerging markets a long way away will start to undermine Western banks and financial systems. The lifeblood of commerce starts to hemorrhage. What is happening in the emerging markets is enormous. Earlier expectations that problems in east Asia would blow over have disappeared. In the May edition of World Economic Outlook the IMF was still predicting overall growth of 4.4 per cent in Asia for this year, with only two countries Thailand and Indonesia in recession. However, the deterioration since then means that much of the region is now in depression. According to the invest-

ment bankers Goldman Sachs gross domestic product will shrink by 16 per cent this year in Indonesia, 8 per cent in Thailand and 7 per cent in Korea. But output is also falling in Hong Kong, for the first time in a decade, and Japan is in recession (although there is some hope that a massive public works and tax cuts programme may temporarily hold up demand in the months between now and the end of the year). In all those countries the banking system is shot. Financial institutions are laden with loans which are not being repaid. Again, it's not something confined to Asia and Japan. In Britain, our biggest and richest bank, HSBC (owners of the Hongkong Bank and Midland), announced in August that it was setting aside some \$836 million to cover the potential losses on its loans to Asia.

In trade and economic terms the Asian problem is having devastating consequences. The Chinese economy has been destabilised. This exporting engine has gone into reverse — exports are likely to decline by 1 per cent this year, Japan was the regional economic powerhouse, sending 43 per cent of its exports to neighbouring Asian countries. It has had to look to new markets. The Asian depression has contributed to a sharp drop in the demand for oil and the Moscow crisis in Credit Suisse First Boston (CSFB) — how many

Middle East as well as other natural resource-based economies. "Scarce" resources are no more: since May of this year commodity prices have plummeted 30 per cent and the price of crude oil has fallen from \$22-a-barrel a year ago to \$12 now — a decline which has not only hurt the oil producing countries from Russia to Mexico and Norway but has also encouraged big corporations such as BP and Amoco to merge to squeeze their costs.

In itself Russia is not a huge influence on the world economy. As Goldman Sachs notes in its Global Economic Strategy Weekly, "no developed country has extensive trading links with Russia, even in Europe". Russia accounts for only 0.5 per cent of the GDP of its principal western neighbour, Germany. But the Russian crisis is not one of production, although the dislocation caused by the country having lost some 40 per cent of its production since 1990 is big enough. It is — as Goldman Sachs asserts — about the price which banks and financial institutions will put on risk — and the knock-on effects on their willingness to lend or even conduct business. The way it works has become plain during the last 48 hours. One of the biggest banks exposed to the Moscow crisis is Credit Suisse First Boston (CSFB) — how many

jobs in the City of London and Canary Wharf does it support. It has announced that Russia has wiped out half its profits so far this year, some \$350 million in value. The manager of George Soros's flagship Quantum Fund, Stanley Druckenmiller, acknowledged that it has lost \$2 billion in the Moscow implosion. Russian debts have been essentially been "marked down to zero."

This has consequences, albeit indirect. In Latin America, which was doing reasonably well until this spring, Venezuela is suffering already as a result of the decline in energy prices. Its financial markets have been as hard hit as those of Asia. Venezuela's main share index has tumbled 59.65 per cent since the onset of problems in Thailand last June. Much more worrying is the impact on Brazil, Latin America's giant. There the government is involved in a daily battle to avoid devaluation, in the wake of Russia's catastrophe, share prices have fallen 35.5 per cent. The big concern for many investors now will be that the Brazilian authorities will give up the fight allowing the currency to devalue, putting in danger the repayment of debt denominated in pesos. There is a view that if Brazil or Mexico were to decide to let its currency go too, the odds on worldwide recession would be significantly increased.

At present growth in Europe and the United States is propping up the global economy. Confidence there has, until recent weeks, been high. It has been supported partly by strong stock exchanges in which many citizens hold their assets — if not in individual stocks and shares then in vehicles such as pension funds, life assurance policies, PEPs and in the United States, mutual funds.

The feelgood factor which has made this recovery one of the most prolonged cyclical upswings since the Second World War has partly been fuelled by share markets. But in recent days stock markets have started to twitch. As they have become increasingly nervy professional investors have been switching from equities to government bonds in an effort to protect themselves in a time of danger. The American economy still looks robust. Orders for new goods have been increasing and companies such as Dell — one of the hi-tech firms on which America's new success has been built — have shown themselves capable of managing their way through the Asian problem and price deflation.

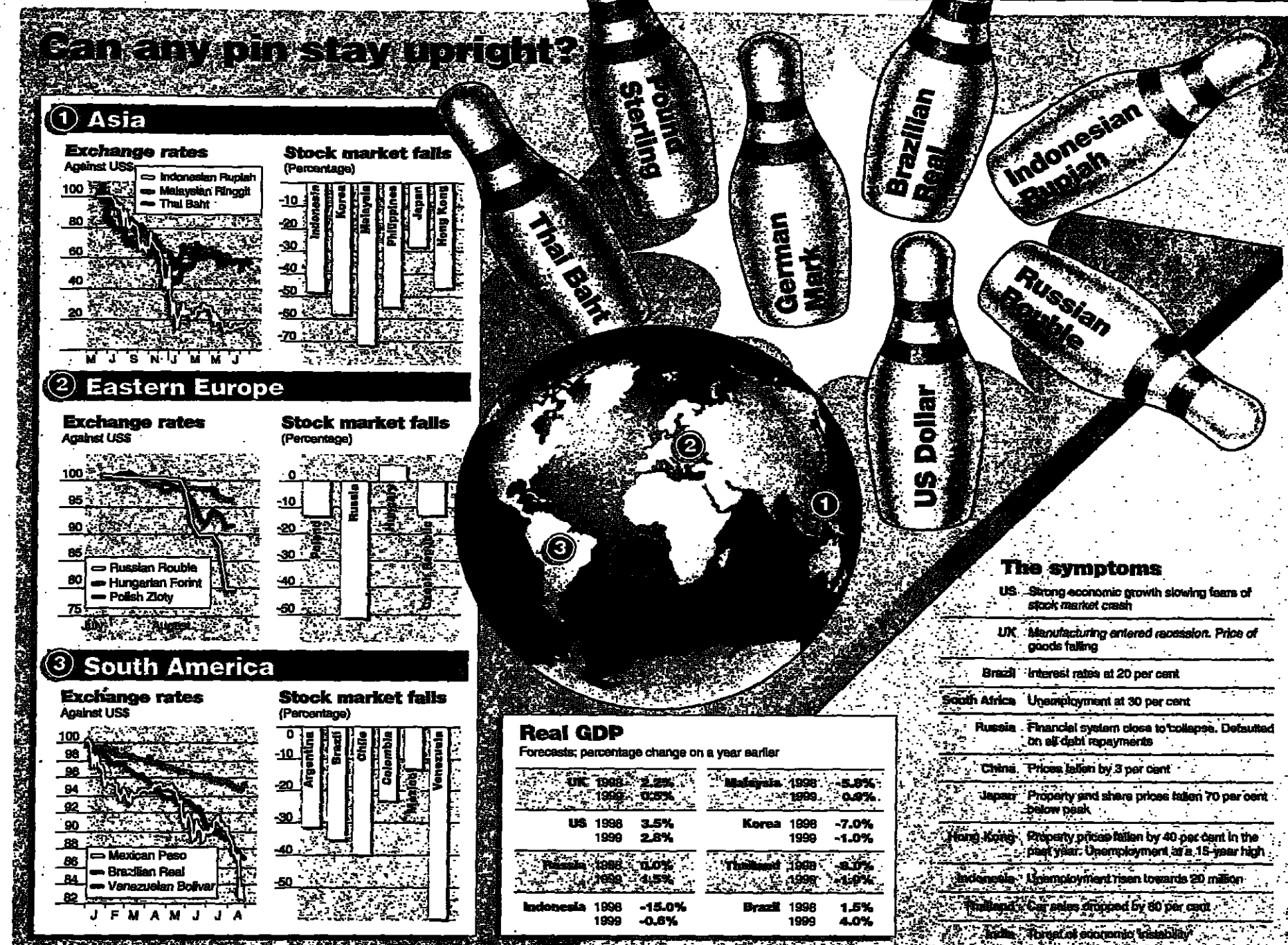
But can this carry on? In Europe the engine of growth is the German economy. Germany is bound to be hurt by the heavy exposure of its

banking sector to Russian debt, guaranteed by Bonn. If the federal government has to make good on these guarantees that would have major fiscal consequences. But a higher budget deficit would pose other problems. Would it be allowed under the Maastricht terms? Again, however, it is the secondary effects of global implosion which are more important. The realisation that (for the moment) the IMF and the United States are not picking up the bill in Moscow — as they did in Mexico in 1994 and in Asia last year — has sent shock waves through all financial markets creating what bankers call a "credit crunch", a tightening of credit conditions which makes borrowing more difficult. It is this development which has the alarm bells ringing wildly. As the strategists at NatWest noted this week: "If global credit conditions are getting tighter, the chances of the current emerging market crisis simply petering out are even more remote than they already appear." (2)

Lowering interest rates and flooding the troubled markets with government bills is the classic way in which governments act to head off economic catastrophe: this was precisely what happened after the October 1987 crash when steps were taken which prolonged the upswing in the economic cycle for another couple of years. The Federal Reserve is more than aware of its responsibility.

In an interview with the Financial Times, the influential president of the New York Federal Reserve Bank noted: "A soundly functioning American economy is so important to the world that what is good monetary policy for us is good monetary policy for the world" (4). That more than suggests that the American central bank is aware of its responsibilities. But it has others too. The chairman of the Federal Reserve, Alan Greenspan, fears that the recent strength of Wall Street is a bubble, that American stocks have become overvalued relative to the country's productive potential and that the bubble will eventually have to be burst. It is how the Federal Reserve handles this policy dilemma which will be its greatest test. On its wisdom global economic health depends.

Sources: (1) World Economic Outlook May 1998, IMF; Washington; Publications@IMF.org; (2) Goldman Sachs, The Global Economic and Strategy Weekly, August 26 1998; (3) NatWest, Global Financial Markets, August 26 1998; (4) Financial Times, August 27 1998, page 3. Graphics: Finner Sheehy; Mandy Watson. Graphic sources: Datastream; Goldman Sachs; Asia Economics Analysts. Research: Jane Crinion. Alex Brummer is the Guardian's Financial Editor.



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Comment

Diary

Simon Bowers

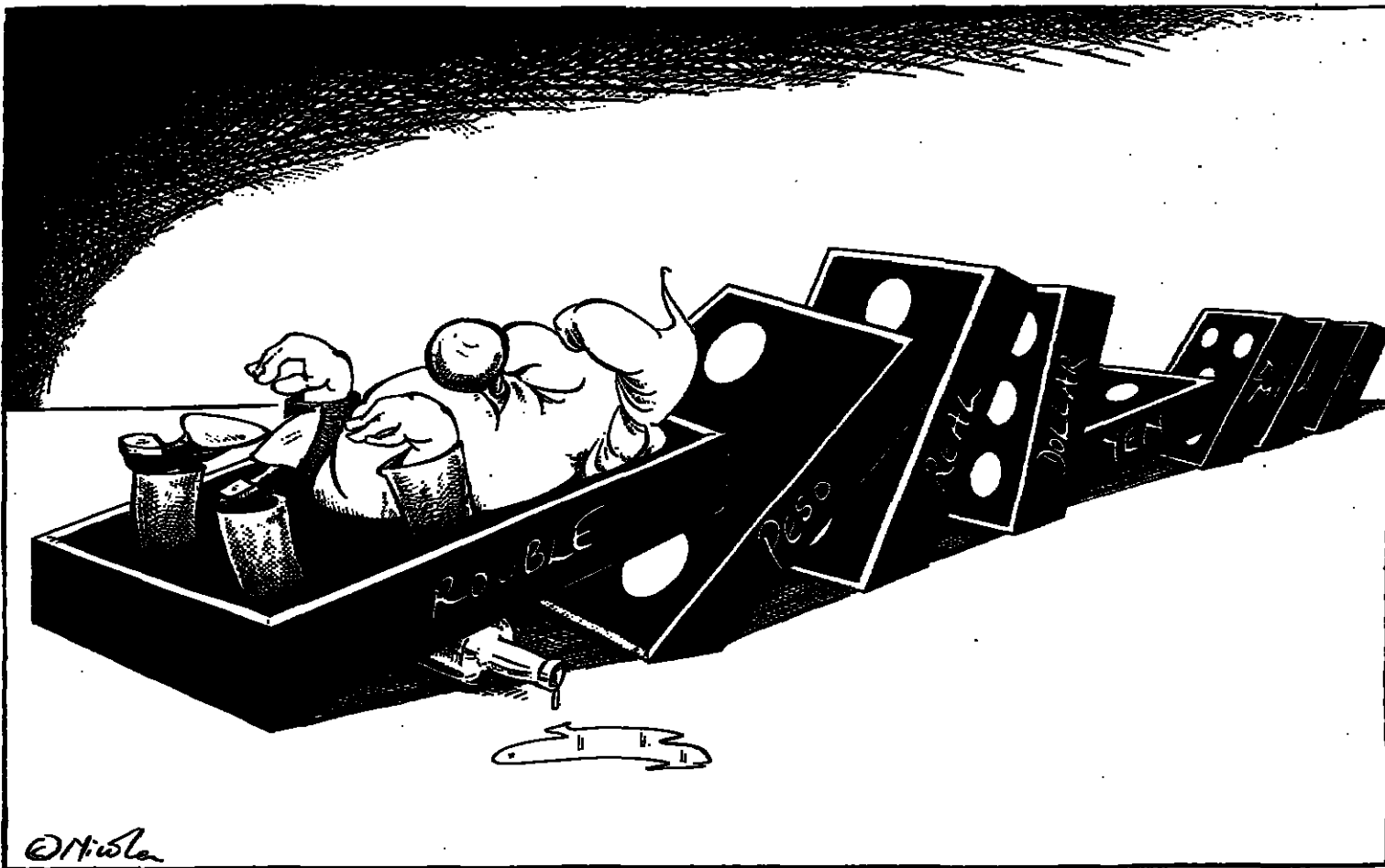
Nautman's BBC documentary, *Living With The Enemy*, Derek Draper gleefully shows the disillusioned former Chairman of Wakefield Labour Party, Paul Dainton, how New Labour operates — even introducing him to Peter Mandelson's office, reports the Sunday Times. Dainton finds a photo showing him at Kellingley colliery. "I was there that day," says Paul, and asks if Peter remembers water falling down the shaft when he was in the miners' cage. Adding: "It weren't water, Peter." The mystery liquid, however, remains unidentified, so it falls to the Diary to take up the story. "Well, it's obvious, isn't it?" says Paul when we call. "I'm sorry I can't say more than that. I hate to do this to you. It's in my contract with the BBC not to say anything — not that they've paid me a penny." A response from a Kellingley source smacks of Mandelsonian wit: "No doubt, if Paul could find his way here, our miners would be more than willing to relieve themselves over his head, if only to cool him down."

NEW Labour supporter Brian Bethell has written a gushing obsequious letter to Downing Street's Alastair Campbell. "As you know," he fawns, "I regard you as the real source of power in the Labour Party, a sort of bearded Rasputin behind Mr Blair's Car Nicholas. As a man with your well-tuned antennae could not fail to notice," he goes on to observe, "the trouble makers are at it again." Brian refers to complaints about the telephone ballot proposed for NEC elections. He approves of making voting easier for the electorate in principle, but thinks things haven't gone far enough. "This still places an unnecessary burden on electors: finding the phone, picking up the receiver, dialling the number — all that before even speaking. I think Mr Blair should just fill in the ballot papers for us all one quiet evening in Downing Street." Mark Bennett, from Alastair's office, responds with a suitably curt brush-off. "Alastair is on holiday at the moment." (Or are we? I recall, say the French Riviera, "and is likely to be extremely busy upon his return." "But," he adds, tongue deftly in cheek, "I plan to brief him on your current thinking as soon as he walks through the door.")

SLEIGH RIDGES, we learn, once employed specialist staff purely to sniff returned clothes to see if they had been worn. Customer service, says representative Lisa Robinson, reveals new BBCI docu-soap, *The Shop*, was employed to sniff returned clothes, including underwear and bikinis, to see if they had been worn. This is disgusting. It is demeaning work and a revolting notion. Unable to find the words we call Diary friend Michael Winner, long since a litigious legend in his own underpants. "Yes, yes. It's a very good idea," says Michael unexpectedly. "I'm sure a lot of people applied for the position. As silly as these things sound, stores are swindled out of millions of pounds a year which only has an impact on the customer in the end."

SAMA bin Laden has suffered a lot of flak in the media of late, but Taki-George refuses to pass judgment on his old friend in the current Spectator. Suffice it to say, "no some of us, all old Geordie hands, he was simply Harry Leden, a polite if somewhat excitable Saudi, who always dressed impeccably and stood up when ladies entered the room."

THE Diary is plagued with locust stories this week. A press release arrives from the Children of the Apocalypse cult concerning their procession proposals for the Nottingham Hill Carnival. Inexplicably, it says, the organising committee has failed to show any enthusiasm for their plan to release hundreds of thousands of locusts from a flaming float. The Children are not expected to resubmit their plans for the 1999 carnival as the "fery, bloody and horrid" end of the world is due on November 13 this year.



How to spend £250,000 a year on a wild child — and make a profit

Decca Aitkenhead



WHEN Britain's first prison for children opened last April, lots of strange comparisons were made between the cost of sending offenders there and elsewhere. For just half the price of a year at the Medway secure training centre, it was pointed out that you could send a 12-year-old to live in a luxury room at the Savoy, or pack 10 of them off to Eton. This was mathematically true, but rather meaningless, as there seems to me to be little point in sending a young offender to the Savoy, and even less danger of the Government deciding to do so. Some £250,000 per child per year did sound like a fair amount of money, but these children did sound like they needed a fair amount of attention. Inmates, or "trainees", at Medway are 12-14-year-olds who have exhausted the imagination of the criminal justice system. These are profoundly troubled kids causing a spectacular amount of trouble. If we could spend £250,000 to turn their lives around in a year, this would presumably be money well spent.

There was, though, the problem that all this money was going to Group 4, the private firm making a profit from the prison. This was an uncomfortable thought, but one we should perhaps force ourselves to overlook if the Medway proves to be a success. Unfortunately, 80 per cent of youngsters locked up in the past have re-offended within 2 years — which cannot be described as a success. This is probably why Tony Blair, when in opposition, condemned the new child jails as "colleges for crime", and condemned them. But once in power, Labour authorised their building. "Medway is not a prison," a Home Office minister insisted back in April. Rather, it was a secure centre providing a "high standard of individual education and training". This was a whole new concept in care and rehabilitation, he insisted. We should forget previous recidivism rates, and watch as educated youngsters emerged from Medway, "to lead a law-abiding life". Last week, the head of education at Medway quit. Back in May, the head of care also quit. The centre prefers to offer no explanations for these departures, but admits that another 20 training assistants have also resigned since the centre opened. Last month, a teacher resigned three hours after starting work. The children, she said, were "out of control. They absolutely ran riot, assaulting staff on a daily basis. I was told 39 members of staff had been taken to hospital since April". In June, 30 police officers with body armour and dogs had to be called in to calm riots. They arrested a group of children who were trying to destroy the education building. The director has taken charge of education for now, and she will doubtless do her best, but her professional background is not exactly ideal. She used to be a police-woman. With the best will in the world, it is hard to carry on believing in the educational promise of Medway.

Affairs at the centre are evidently not going to plan. Imprisoned at Medway are up to 40 angry, aggressive, disturbed children who would be hard enough to teach at the best of times, and particularly hostile to classes when they've been locked up together in jail. It is doubtful that they are delighted to be there — and in almost any other country in Europe, they would not. The UN has criticised Britain for locking up children this young, and penal experts are united in their opinion that it was a very bad idea. TEACHING staff at Medway receive 3 weeks' training. In the main, they are young and enthusiastic — but they have no experience at all in teaching young offenders of this age in a residential setting. They have been trained to provide a therapeutic approach — but this is not a therapeutic regime. Group 4's record in security could be described as questionable: its experience in education is a mystery. What one can say with confidence about Group 4, however, is that it is a profit-making organisation with an interest in children going back to prison. It will also cut costs where it can. As a spokeswoman for the Howard League points out, "Group 4 is not running Med-

way because it cares about difficult children, but because it wants to make money out of them. Anyone with any integrity working with kids would not want to work for it". Group 4 have recently won the contract for the second secure training centre. It will be built in Northamptonshire — which is a little ironic, as it was from Northamptonshire that we heard this week about a different approach to young offenders. The Northants Diversion Unit is a project which second staff from a range of agencies — the police, probation, youth services etc — to help young offenders on their second or third police caution. Rather than take them to court, they get them to meet and apologise to their victims, and to tackle their family or drug problems. Each year, the unit devises diversion programmes for 1,200 youngsters, at a cost of £730 pounds per case. Re-offending rates are 35 per cent — compared to an average of 67 per cent. To take them to court would cost £2,500, to send them to Medway for a year would cost 100 times that sum. This is a rather more useful comparison to draw than the cost of a year at the Savoy — and even without the benefit of an excellent education from Group 4, most of us should be able to work out which strategy is preferable. If Jack Straw really wants to do only "what works", he will cancel the contracts and stop building any more.

Now it is Russia's turn for the same medicine. Theo Waigel, Germany's finance minister, says it is up to Russia to sort out its own problems; the IMF's approach is that bailing out Moscow is simply throwing good money after bad. Mr Waigel needs to think again. Quite obviously, there are no easy solutions to the Russian problem, but the very least the West should do is put together a multi-billion dollar rescue package to underpin the rouble. This is what the United States did for Mexico after the peso crisis in 1995, and Germany should organise the same sort of whip round for Russia. OVER the medium term, the West needs to consider a Marshall Plan for Russia, something that should have been put in place at the very start of the 1990s in order to smooth the transition from a command economy. The aid to Russia has been too little, too late: back in the late 1990s the Marshall Plan was worth 2 per cent of American GDP per year for four years; a staggeringly generous gift to western Europe that will probably never be repaid. Interestingly, it is now being foisted upon the Russians were perhaps not that wise. The Financial Times yesterday suggested that the only alternative to the hyperinflation generated by a plunging rouble was to "slam on exchange

Rescuing Russia

Larry Elliott



UNFETTERED capitalism has done what Stalin could never do: it has brought the West to the brink of economic turmoil. Belatedly, it is now recognised that the financial and political crisis that is engulfing Russia is not just a problem for Boris Yeltsin, but a threat to the stability of the entire global economy. In truth, this is a disaster that has been waiting to happen. It is perhaps not the time for those who have been warning of the dangers of uncontrolled capital and unbridled laissez-faire policies to say "we told you so", but it is worth saying anyway. We told you so.

Those responsible for managing the world economy are as culpable as the French military strategists who believed that the Maginot Line was the answer to German aggression and the British blimps who left Singapore at the mercy of the Japanese in 1942 by pointing all the big guns out to sea. However, the real issue at this juncture is not to apportion blame for the current predicament, because we know who's to blame. The real issue is to find ways of ameliorating the impact of the collapse and to learn the lessons of the past year.

Let's start with some basics. The prevailing philosophy of the past quarter-century has been that there is no such thing as too much liberalisation. Trade barriers, exchange controls, capital controls all had to be dismantled as quickly as possible. The state had to be diminished in size and downgraded in importance. Interventionism in any guise was frowned upon. At first only right-wing politicians believed in the new dogma, but eventually politicians of the left — chastened by electoral defeat — started to recite the globalisation mantra as well. According to the new orthodoxy, there was nothing that could be done to hold back the new global forces, even if parties of the left wanted to do so. Which, sad to say, not many of them did by the mid-1990s. From this standpoint of the new policy elite, there is really nothing to worry about. Indeed, the IMF's answer to the crisis in south-east Asia was to call for even more capital liberalisation and impose economic policies of such draconian austerity that around 100 million people will be below the poverty line by the end of this year.

Now it is Russia's turn for the same medicine. Theo Waigel, Germany's finance minister, says it is up to Russia to sort out its own problems; the IMF's approach is that bailing out Moscow is simply throwing good money after bad. Mr Waigel needs to think again. Quite obviously, there are no easy solutions to the Russian problem, but the very least the West should do is put together a multi-billion dollar rescue package to underpin the rouble. This is what the United States did for Mexico after the peso crisis in 1995, and Germany should organise the same sort of whip round for Russia.

OVER the medium term, the West needs to consider a Marshall Plan for Russia, something that should have been put in place at the very start of the 1990s in order to smooth the transition from a command economy. The aid to Russia has been too little, too late: back in the late 1990s the Marshall Plan was worth 2 per cent of American GDP per year for four years; a staggeringly generous gift to western Europe that will probably never be repaid. Interestingly, it is now being foisted upon the Russians were perhaps not that wise. The Financial Times yesterday suggested that the only alternative to the hyperinflation generated by a plunging rouble was to "slam on exchange

controls". George Soros, the speculator who has lost \$2 billion in Russia, has called for a currency board, under which the rouble would be pegged to another currency — almost certainly the dollar — and then be obliged to keep it steady by importing America's monetary policy.

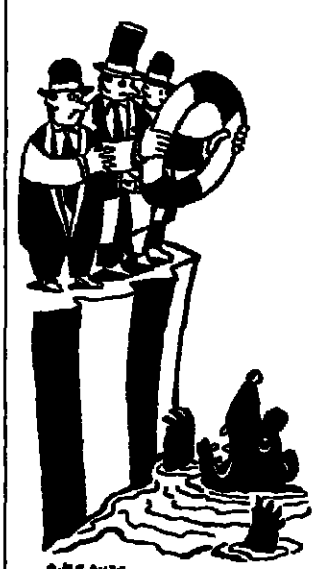
More pain for the long-suffering Russian public seems almost inevitable, but the danger is of driving the country into the arms of a strong man offering quick-fix solutions. Russia is, after all, still a nuclear power of considerable importance.

Over the longer term, it would be of immeasurable help if Brussels set a timetable for Russia's entry into the European Union. The obsession with the single currency has meant that European policy-makers have not moved quickly enough to expand the EU to the East.

Russia is, however, only a symptom of a deeper malaise. It is now 54 years since the Bretton Woods conference laid the foundations for the post-war international system, putting in place a system of fixed exchange rates and creating the IMF, the World Bank and the General Agreement on Tariffs and Trade.

What is called for now is a new Bretton Woods to rethink from first principles the way in which the global economy is managed. Over the past few years, there have been conferences to deal with the global environment, campaigns to tackle developing country debt, meetings of the Group of Seven nations to consider the proper response to financial crises in Latin America and Asia. But never has there been any attempt to consider all these problems as part of a global whole, as part of one big picture.

The new Bretton Woods would not consider protecting the global ecosystem as a di-



The danger is of driving the country into the arms of a quick-fix strong man

The reason the US and Britain top every Islamic terrorist's list is to be found in the occupied territories

Bloody Palestine

Julian Borger

IN JUST over eight months' time another explosion is primed to go off in the Middle East. Clear warnings have been issued giving the precise time and place, but so far very little is being done to prevent it. The West's current policy is to hope it doesn't go off with too much of a bang. The bomb in question is the declaration of a Palestinian state planned for May 4, 1999. Yasser Arafat insists that — barring a miraculous turnaround in the state of Israeli-Palestinian relations — such a state will come into being in Gaza and the West Bank, with its capital in Jerusalem. The target date marks the expiry of the transitional period laid down in the Oslo peace accords. After that date, Arafat argues, Oslo rules cease to apply and the Palestinian people will be free to pursue self-determination. The Palestinian state is Israel's unborn twin. The thinking behind peace efforts stretching from the UN's 1947 partition plan to

the 1993 Oslo accords is that both siblings must claim a separate existence in order for a lasting peace to settle on the Middle East. In practice, Palestine will probably be born in confusion. Mr Arafat's Palestinian Authority currently has full control over only two-thirds of the slender Gaza Strip and 3 per cent of the West Bank. In these tiny enclaves, flags will be raised, honour guards will march up and down, stamps will be issued. But the lightly-armed Palestinian police force (numbering 30,000 or 40,000 depending on whose figures you believe) will be in no position to wrest control of the rest of the occupied territories in the face of resistance of Israel's formidable army. If Benjamin Netanyahu's right-wing coalition is still in power, it will be tempted to annex the lion's share of the occupied territories, in response to the inevitable cries for help from the settlers.

Past experience suggests Netanyahu would exploit Oslo's demise by channeling even more funds to the settlers and sealing the Palestinians up inside their Bantustan-style enclaves. In areas currently under joint Israeli-Palestinian control, clashes would be virtually inevitable. Whichever way it plays out, a unilateral declaration of statehood is likely to

with Oslo, and some hope of compromise over the main outstanding issues — the fate of Jerusalem, the Palestinian refugees and the Jewish settlements. Failing such a dramatic turnaround, Arafat would have little hope but to make good on his pledge. But the drift of current events is not encouraging. Even if there is a formal agreement in the next few days over troop withdrawals, their implementation will no doubt be a drawn-out and painful affair. Meanwhile the accelerating spread of West Bank settlements, spurred on by government subsidies, makes a final territorial agreement increasingly unlikely. Public opinion surveys consistently show a majority of Israelis would willingly cede Gaza and the West Bank, even witness the creation of a Palestinian state, in return for a stable peace. But few want to watch fellow Jews forcibly removed from their homes to make way for such a state. A viable Palestine gets further away with each new settler

home. Probably over half the 180,000 Jewish settlers are in the occupied territories simply because they are cheaper than Israel. They would probably move if compensated. The rest are led by a hardcore of right-wing ideologues. This motley group is pinning Israel down in the territories against the national will, and — through the deployment of its extremely effective lobby — Israel in turn has tied Washington's hands in the pursuit of a balanced Middle East policy. This is the real fall wageing the White House down with hugely damaging consequences for the US and its allies. It is a primary reason why the US and Britain are at the top of every Islamic terrorist's list of targets. If the Oslo agreements are to survive another year, they need a show of muscular international support now to counteract the influence of the settlers, even if backing Oslo necessitates the threat of sanctions against the Netanyahu government. The alternative is the premature and bloody delivery of a half-formed Palestine next May.

مكتبة القرآن

Russia in crisis

In the villages only 100 miles north of Moscow, where factories and farms are closed, people show no interest in the country's deep political turmoil



For Moscovites with dollars the party may go on a little longer

PHOTOGRAPH: GERO LUDWIG

Despite the worldwide impact of Russia's problems, many of its people have something more immediately pressing on their minds — the potato crop

Where even robbers go empty-handed

AT THE SHARP END/
Despair in the countryside

Tom Whitehouse
in Moscow

VLADIMIR Panov, a shoe seller from Barnaul, not far from Russia's Chinese border, looked at his pregnant wife and summoned the last dregs of optimism from his soul.

"If the climate continues to get warmer we will probably be able to make it through the winter."

It had been a long and probably futile trip. The chance of re-selling at a profit in Barnaul the shoes he bought in Moscow are slim. His six-year-old daughter, who starts school next month, needs new clothes and books. As he waited for the flight home, frustration mounted.

"This is all in vain. Prices are rising so I have to raise my prices, but then no one will buy. I think I'll move into bread. People always need bread."

His wife smiled apologetically. "The baby is due in October," she said. The chance of recouping their £180 return



The last ditch for rural Russia... but rainfall has led to unsatisfactory potato crops

PHOTOGRAPH: NIKOLAI KHNATIEV

flights to Moscow was fading with every hour as the rouble continued its fall. But at least they could find seats in the usually packed waiting area of Moscow's central transit station.

Provincial traders from all over Russia normally swell the capital every day. But the rouble crisis is keeping them at home. Until prices settle, it is better to hold on to goods, rather than buy and sell.

Living standards in the provinces are much lower than in Moscow and St Petersburg. Those who have survived the last 10 years of upheaval have had to improvise — intensively cultivating their garden plots, bartering

produce with family and friends, and if they have money, travelling to Moscow to bring back goods for sale.

As three men found to their dismay on Wednesday, even bank robbery is no longer a reliable escape from poverty. After breaking in to a Vimpel Bank in central Moscow on Tuesday night, they found only 13,000 roubles (about £120). By the time they could change the roubles into dollars, they had already lost half their value. With a currency in terminal decline, prospects for bank robbers do not look good.

But voluntary exile in the provinces is also an increasingly precarious option. This

summer's large rainfall in several regions has devastated the private potato crops on which Russia's disenfranchised masses rely. Supplies will not last the winter.

In villages only 100 miles north of Moscow, where the factories and farms are closed, people show no interest in the country's deep political turmoil. Few television sets work, and there are more pressing concerns — potatoes.

Russia's provincial poor have not yet suffered directly from devaluation because they have no savings and do not buy imported food products. But their turn will come as inflation grips the whole economy. Until the rouble crisis the millions who do not regularly get paid wages or pensions have at least been able to hope for reimbursement. But now, even if that money comes, it will have halved in value. It could prove worthless.

Alexander Lebed, one of the favourites to succeed President Yeltsin, has officially limited price rises to 10 per cent in the Krasnoyarsk region he governs. Price controls may have to be introduced in the rest of Russia if social unrest is to be kept under control.

"We need a coup," said Mr Panov. "Something has to change because this is not survival."



In the provinces, with money short, people must cultivate land intensively and barter produce

PHOTOGRAPH: NIKOLAI KHNATIEV

Shockwaves hit global markets

AT HOME/ Britain will not be immune from the economic turmoil

Mark Atkinson
and Larry Elliott

AT THE height of the Munich crisis in 1938, Neville Chamberlain said Czechoslovakia was "a far-away country of which we know little". Consumers in Britain today may feel the same about Russia. But just as a year after Munich the world was at war, so the impact of Russia's deepening financial and economic crisis could quickly be felt in the hitherto insulated West.

Such is the level of integration in the global economy that no country — not even the mighty United States — is immune from the fallout.

Britain will be affected in two ways — both directly

through its trade links with Russia and the rest of the world and indirectly, via the financial markets.

With £2.2 billion worth of exports going to Russia from Britain last year and £1.5 billion of imports coming the other way, the trade links are relatively trivial. But the Russian turbulence comes on top of the drop in British exports due to the strength of the pound and the Asian economic crisis, which have sent manufacturing industry into recession.

Before Russia, economists were downgrading their global economic growth forecasts and they may need to slash them further.

The country expected to suffer most is Germany, whose banks are estimated to

have £18.5 billion worth of outstanding loans in Russia, few of which may now be repaid.

If German banks' profits are hit, they may tighten credit conditions, which could affect economic growth. The European Commission has refused to accept that the Russian crisis will slow an expected upturn in European Union growth, but many economists say it is being complacent.

If the European economy suffers from the Russian crisis, it is a good bet that Britain will too, given that Europe represents Britain's largest export market.

Apart from the impact on the "real economies" of Europe, Britain and the rest of the world, Russia's economic turmoil is sending shockwaves around global financial markets. In the wake of the Asian financial crisis, investors are bailing out of

any country seen as remotely risky, sending currencies and stock markets plunging.

Financial contagion is spreading to Wall Street and its closely linked neighbour London. Stock markets in both fell sharply yesterday.

With British consumers holding relatively few shares, the negative impact of falling equity prices on their wealth will be limited.

But share ownership in the US is more widespread. Consumer spending, the mainstay of the US economy, is likely to retrench, which in a global economy will reverberate around the world.

The real fear is that the West could be in for a repeat of the Great Depression of the 1930s, when a collapse in business and consumer confidence led to a reduction in spending, followed by higher unemployment and a sharp fall in industrial output and investment.

Economic anarchy risks new brain drain

EMIGRATION/ The best minds are likely to seek better rewards

Alex Brummer
Financial Editor

AMONG the most serious problems faced by Russia since Mikhail Gorbachev opened the doors to the rest of the world at the start of the decade has been a massive brain drain to the West.

The first choice of many of Russia's top scientists and intellectuals has been the United States. There rocket engineers have found berths at NASA in much the same way as German scientists

were airlifted to the US after the second world war. But after Israel objected to the number of well-qualified Jewish-Russian doctors, scientists, engineers and intellectuals who had decided to make their homes in New York, numbers entering the US were restricted so that more would go to Israel instead.

The resulting emigration to Israel — more than 500,000 people this decade — was one of the keys to the transformation of Israel from agricultural to hi-tech economy in the 1990s.

The Russian arrivals have enhanced almost every aspect of scientific life in Israel, helping to transform it into one of the world's leading centres of technology. It is there that increasingly powerful semi-conductors and micro-elements for new hand-held computers have been developed.

Many of those who arrived lacked the entrepreneurial skills to turn their science into new products. However, through the use of incubator schemes and research centres such as the Weizmann Institute, Russian engineers have been nurtured into businessmen with the help of legal and accounting mentors. Germany has also been a popular destination for emigrating

Russians, albeit on a smaller scale. Some of the Russian arrivals are multi-millionaires as a result of the know-how they have brought.

The export of so much brain-power has meant the effective denudation of investment made by the old Communist regime in science and medical infrastructure and an advanced space programme which could compete with the US.

The risk of the current anarchy economic situation in Russia is that it will lead to another exodus of the best minds to countries where they can reap the reward for their skills and enjoy a better life.

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A SCHEME was launched yesterday at Weston-super-Mare in Somerset to loan bicycles to young people on the Welfare to Work scheme.

The machines are unclaimed stolen property given by police, maintenance will be done by college students, and a local firm is providing storage and administration.

Chris Jones, of the Employment Service, said it hoped to extend the scheme, which was aimed at people in rural areas who had transport difficulties. He said: "It is not a question of 'get on your bike' and go and look. We are saying: 'Get on the bike so that you can get to the opportunity we have found for you'."

In a further twist, allegations were made that they had wasted taxpayers' money in their unsuccessful court action, which was said to be unnecessary and doomed.

When approached by the Faludys last February, the council offered financial help

Alexander has been hailed as a genius since the age of



an undergraduate at Peterhouse after he dictated essays on the rationalist argument for God's existence and the influence of classicism on the architect Andrea Palladio.

Jim Swire, spokesman for the campaigning group UK Families of Flight 103, said yesterday: "The general message is undoubtedly that this trial is going to take place . . . in the first half of next year."

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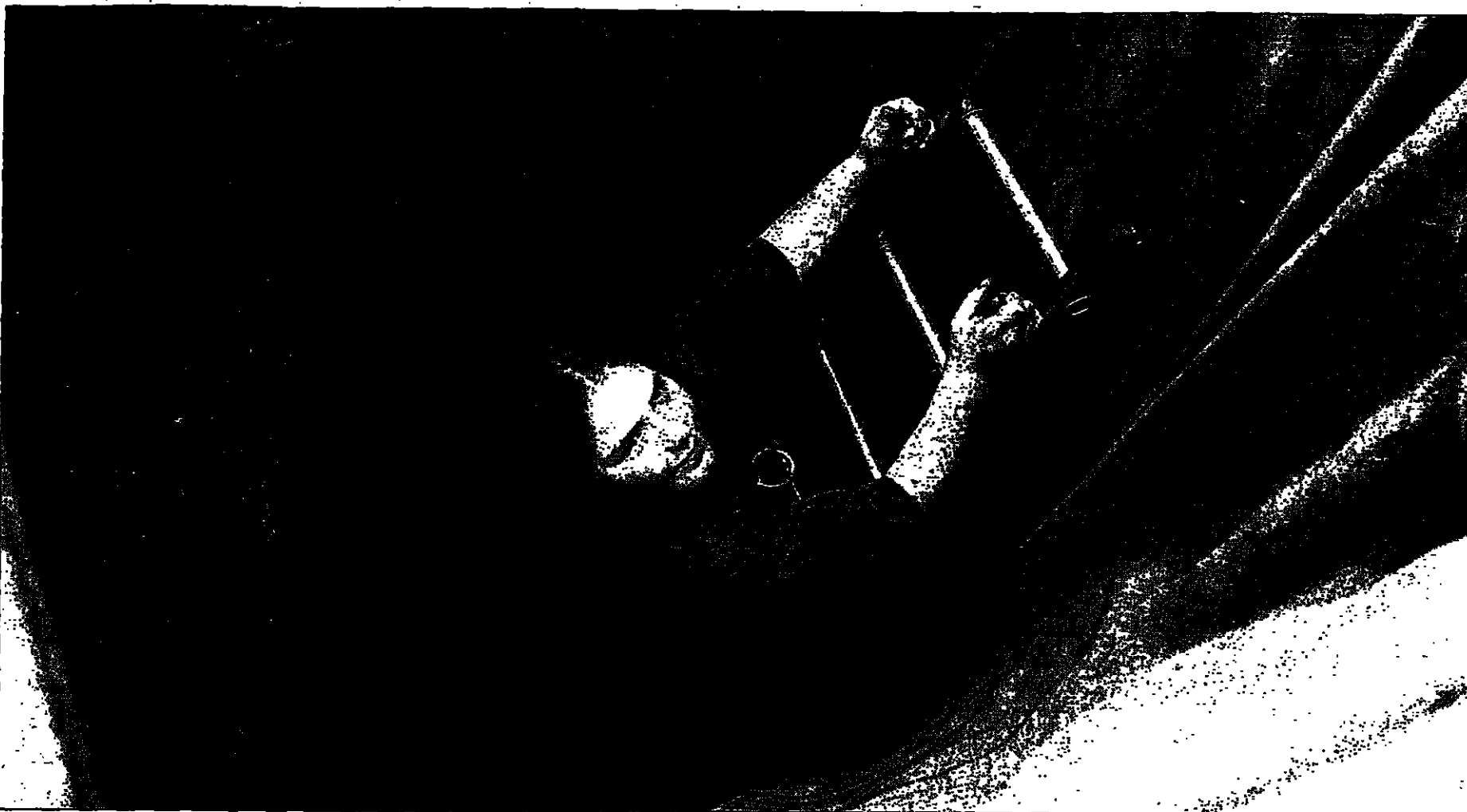
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Eco-warrior Mathew in the tree house where he has been for four months. His local education authority has threatened action over his truanting

PHOTOGRAPHS: MARTIN GOOWN

School clouds eco-warrior's idyll

Council threatens against mother of 11-year-old boy who has fled lessons to care for environment

Sarah Hall

A COUNCIL yesterday threatened to take the mother of an 11-year-old boy to court for allowing him to spend the last four months in a tree house instead of at school.

Kingston council in Surrey said it would consider taking legal action against Lorraine Morris-Steward if she failed to agree to it educating Mathew by the time term began next month.

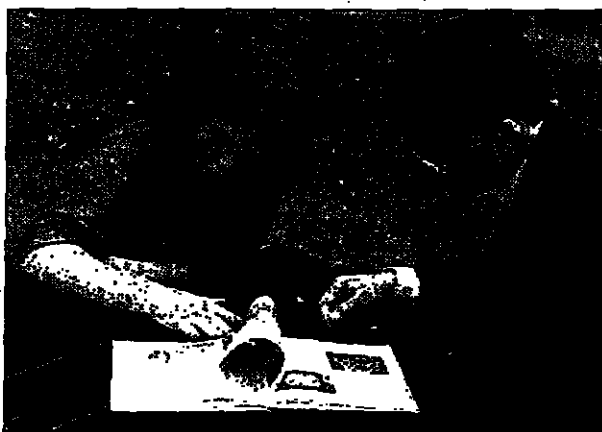
The threat came the day after the High Court granted the youngster the right to stay in his tree house for a further five weeks in an attempt to prevent developers demolishing an ancient copse in Epsom.

Yesterday, as the boy played on his new-found celebrity status by absconding from his tree house for the media, Kingston council said the youngster had had learning difficulties for a number of years.

Mathew — also known as General Survival — had not attended school for three years and, from April 1997, had been placed with a private tutor in small groups at a special learning centre.

Since May 8 he had failed to attend after he and his mother — also known as Earth Goddess — swapped their home on a Kingston council estate for the tree house and a squat in Epsom.

A council spokesman said the couple's move — prompted by Mathew's ecological fervour — had made it



Mathew receives help with his reading from Nigel Veal

difficult to track down Ms Morris-Steward and question her about her son's absence, but it was committed to educating Mathew and had approached three special schools outside the borough, one of which the family had rejected.

He added: "We'll be in

touch to ensure educational provisions are in place for the beginning of next term and that the home environment is appropriate to support this.

"If the situation cannot be satisfactorily resolved, the council may have to consider an education supervision order which would give legal

backing to a specific package of educational provisions for Mathew."

The mother, who has not worked for the last 15 years and who lives on donations and benefits, said: "Mathew's never got on in the classroom and I don't think he'll be able to now. He found it very hard to sit in a class and concentrate. He felt he was different from the other children because he couldn't read and that made him upset — whereas here, on site, he never feels any different."

She said she taught her son maths each evening. In addition, one of Epsom's residents, an English graduate sympathetic to their cause, spent around two hours each day teaching him to read.

Nigel Veal, aged 37, a corporate communications executive with a financial services company in Dorking, Surrey, has been reading the youngster *Discovering Trees*, and *North American Red Indians* to develop his ecological interests.

But he admitted the books, for 10 to 12-year-olds, were too difficult for the 11-year-old.

The revised guidelines follow a series of cases of people rejected as adopters because they have reportedly been considered the wrong colour, insufficiently conscious of racial issues, or even too fat.

At the same time, some councils have been found to make relatively little use of adoption. Almost 2,300 children are adopted in England each year, about 140 of whom are less than a year old.

Mr Boateng said last night that the fresh guidance would be regarded as the last and least acceptable option.

Some councils still refused to place children for adoption because the prospective parents were over 40, the wrong colour or smokers, or

Less store set on race in adoption guidelines

David Brindle, Social Services Correspondent

C HILDREN must not be left to languish in local authority care purely because no family of the same race comes forward to adopt them, councils are today told.

The new government guidelines on adoption are billed as a tough response to "misguided practices" and unjustified restrictions on adoptive parents on grounds of colour, culture or faith.

As well as warning against too great a focus on race, the guidelines say there should be no blanket restrictions on the age of adopters or on allowing smokers to adopt.

However, they fall well short of the kind of harsh crackdown on political correctness in adoption practice that Paul Boateng, the junior health minister responsible, had foreshadowed.

Social services directors and adoption agencies, welcoming the new framework as reasonable, say it will make little difference to practice in most parts of the country.

Motira Gibb, who chairs the children and families committee of the Association of Directors of Social Services, said her concern was that "it may encourage people to think adoption will be easier."

Reasons for rejecting prospective adopters must be sound and defensible, the guidance says. With people now having children later in life, age should not be an automatic barrier.

Councils must not refuse to assess people who wish to adopt from overseas, the guidance states, although they should be "aware of both the nature and effects of inter-country adoption".

Ms Gibb called the guidelines sensible and balanced. Recent surveys showed that between 24 and 53 per cent of ethnic minority children adopted had not gone to same-race parents.

Felicity Collier, director of British Agencies for Adoption and Fostering, said a same-race adoption was in general the ideal. "For a child, it can be terribly important that the person who brings you up, takes you to school and walks down the street with you actually looks like you."

because it was hoped to reunite the natural family at all costs. This showed a fundamental failure to understand the nature of adoption and its advantages for a child unable to live with his or her own family.

The guidance would take immediate effect, Mr Boateng said. Councils would be expected to receive regular reports on its implementation and on children awaiting adoption.

While the guidelines endorse adoption as "a unique opportunity for a fresh start", they leave councils much room for discretion in individual cases.

No timescale is set for social workers to consider adoption when they are focusing on returning a child to its natural parents. Race is en-

Age 'should not be an automatic barrier' for applicants

dorsed as a "principal" issue in choosing adopters.

After "agreed and realistic" time limits, however, the search for same-race adopters should be ended.

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French seize Roddick products



Anita Roddick... 'no buzz from these products'

Body Shop founder denies new Hemp range promotes drug use

Jon Menley in Paris

LOOKING for a really far-out high? According to French police, you could do a lot worse than try the latest range of soap, lip conditioner, 3-in-1 oil, hand protector and elbow grease from that well-known purveyor of mind-altering substances, the Body Shop.

"We're having them checked out," said a police spokesman in Aix-en-Provence yesterday, where suspicious officers on Wednesday seized several dozen cartons

of the store's new Hemp product line — along with brochures relating to it — because they feared it may promote drug use.

"Inciting the use of a banned substance is a crime in France, and these products are advertised as containing hemp seed oil," the spokesman explained. "Everyone knows hemp is related to cannabis. They will be chemically analysed, and the public prosecutor will decide whether to proceed with the affair."

The Body Shop's founder, Anita Roddick, said she was amazed at the raid on the company's southern French store. "You'd have to smoke a hemp joint the size of a telephone pole to get the least buzz, and you'd die from carbon monoxide first."

The Hemp products have just been unveiled in one of Body Shop's 22 stores in France, whose anti-drugs laws are among the most draconian in Europe.

The range made up 5 per cent of the company's UK turnover in April after a successful launch in March.

The former Conservative Home Office minister, Ann Widdecombe, accused Ms Roddick at the time of "making a joke of drug-taking" in handing out cannabis seeds at the launch.

Ms Widdecombe, MP for Maidstone and the Weald, said Ms Roddick was being "wholly irresponsible" in introducing the range.

It was also criticised by the Parents Against Drugs group, whose spokeswoman, Joan Keogh, said what the Body Shop was doing was legal, but "youngsters will put two and

two together and come up with five."

The products are made using seed oil from industrial-grade hemp, a member of the cannabis plant family, which contains negligible amounts of tetrahydrocannabinol, or THC, the mind-altering component of marijuana.

The Body Shop said the range did not promote drug use — the aim was in fact quite the opposite. By being the first retailer to bring hemp to the high street, it hoped to start educating consumers about the difference between industrial grade hemp and marijuana.

"It's ridiculous that industrial grade hemp should be tarnished by its sister plant," a spokeswoman said.

"It is a wonderfully versatile crop, ecologically sound with an extensive history — the first drafts of the American Declaration of Independence were written on hemp paper — and one of the best natural moisturisers in the world."

France was unusual in allowing the cultivation of industrial grade hemp, and the oil used in the Body Shop's new range came from French hemp, she added.

Campaigners in many other countries are struggling to improve the crop's tainted image, pointing out that hemp was used for centuries to make hundreds of products such as textiles and paper. Great artists painted on hemp canvases.

"France is in the forefront of the hemp revolution," Ms Roddick said. "However, we are being restricted in Aix-en-Provence from promoting our Hemp range."

"I know the French perfected the art of irony in the past, but right now I'd like to see them get a better grip on the future."

space

The next issue of space will be on September 4

➔ "Unfortunately, 80 percent of youngsters locked up in the past have re-offended within 2 years - which cannot be described as a success."

Decca Aitkenhead

Comment, page 12

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Cape Town blast aftermath



Victims of the Cape Town bomb — Laura Giddings, who has lost a foot, and brother Jacob, who has shrapnel in his kidneys

Planet Hollywood bomb child told of amputation

Luke Harding

A BRITISH girl injured in the Planet Hollywood bomb blast was yesterday told by doctors in Cape Town that they had had to amputate her left foot.

Eight-year-old Laura Giddings, who had been too heavily sedated on Wednesday to be informed of the surgery, yesterday appeared to have taken the news well. Hospital staff revealed she had "very specifically" asked for some purple nail varnish after waking up, so she could smarten herself up.

Doctors at the City Park hospital in Cape Town have successfully removed shrapnel from the spine of her three-year-old brother Jacob. But fragments are still in his kidneys, and he is expected to require more surgery.

The children's father, Tony Giddings, aged 38, is in a worse condition than originally thought, and will need at least six more operations, the family's solicitor, Mal-

colm Le Bas, said yesterday. He is expected to lose part of his foot and several toes.

His wife Mandy, aged 34, and his father Brian, aged 69, are in a less serious condition after surgery to remove shrapnel.

The family, from the New Forest village of Bramshaw, in Hampshire, were among 27 people — including four other

the embassy bombs which claimed 257 lives in Kenya and Tanzania this month.

Ashleigh Egan, aged 25, from Spalding in Lincolnshire, yesterday described how she was walking past the bar when the bomb went off.

"I felt like I had suddenly tripped on a live electric cable and had an enormous electrical shock right through my

screaming in terror and pain was terrible."

She suffered injuries to both legs and a perforated eardrum. Three other Britons caught in the blast — Andrew Farris, his wife Claire Thorndike, and David Shoo — were in a stable condition.

Supt John Sterrenberg of Cape Town police last night said detectives were studying video footage from security cameras in the restaurant in an attempt to identify the bombers. Security sources suggest arrests are imminent.

A spokesman for Muslims Against Global Oppression — the organisation which had earlier appeared to claim responsibility for the blast — last night denied any involvement. It was a "senseless, inhumane and unjustifiable crime," Mago member Ntshaba Sefolana said.

Mike Doig, British High Commission spokesman in Cape Town, last night said the Giddings wanted to stay together. "They are trying to recover. They are very shocked and still quite distressed."

"I felt like I tripped on a live electric cable and had an enormous shock through my body... then I realised it was a bomb"

Britons — injured in the blast on Tuesday night at the waterfront Planet Hollywood restaurant. A South African bank worker, Paula Schoeman, aged 60, was killed.

Bomb squad officers were yesterday trying to reconstruct the pipe-bomb which devastated the building. They were joined by four FBI agents, two of whom had flown in from Nairobi, where they had been investigating

body," she said. "The first thought that went through my head was that I had caused the chaos and brought the ceiling down by pulling out this cable, but then I realised it was a bomb."

"I saw people lying all around me, one of them a lady whose legs had been blown off."

"It was absolutely horrific. The noise of people — including me — shouting and

Lib Dems offer tax shift towards rich and polluters

Michael White
Political Editor

THE Liberal Democrats yesterday unveiled plans for a sweeping shake-up of the tax system, by lifting 10 million people — those earning less than £10,000 a year — out of the income tax net altogether, while shifting the fiscal burden to high earners and polluters.

In the first policy statement of the autumn conference season, the Lib Dems proposed to lift the personal tax allowance from £4,195 a year to £10,000 over the lifetime of two parliaments, and to fill the gap in Treasury revenues with a simplified system with fewer loopholes and a 50 per cent rate for those on £100,000-plus.

"Efficiency, sustainability and fairness" would be the Lib Dem watchword, as they praised some of Gordon Brown's economic reforms but demanded that he eased taxes on "good things" — like employment — and increased them on "bads" like pollution.

Some of their ideas for education and skills overlap with Labour's, others will be cheerfully pilloined.

The ambitious policy review commission report on the economy, to be debated at next month's party conference in Brighton, also focused on two other favourite Lib Dem themes: the need for a 10-point "docking procedure"

that would help lock sterling into the European single currency, and the quest for higher standards of service and accountability in the public sector.

To achieve such standards, the paper produced by Treasury spokesman Malcolm Bruce MP and his number-crunchers proposed to put market incentives even deeper into the culture of Whitehall, designed to give taxpayers a better deal.

Ministers would sign "service delivery agreements" making their department's permanent secretaries (renamed chief executives) responsible for performance and their pay tied to the results. A new Public Service Commission would canvass for private sector recruits.

"Our aim is a Civil Service which is more long-termist, innovative and de-centralised. All senior appointments should be advertised openly," the report suggested. Ministers and officials, at national and local level, should be held to account by Commons committees, and taxpayers should get detailed explanations of how their money is spent — to "reconnect" what people pay with what they get back.

Mr Bruce said: "We should allow people to earn much more before they pay tax. Instead of taxing low earnings, we should bring in new taxes on pollution and phase out unnecessary tax allowances and reliefs."

Police inquiry to exhume six more of GP's patients

Jamie Wilson

POLICE are to exhume a further six bodies in an investigation into the deaths of 27 patients in the care of a Manchester GP.

The body of Kathleen Grundy, who died suddenly at the age of 81, has already been dug up after her relatives discovered she had cut them out of her recently-changed will.

The last person to see her alive was Harold Shipman, aged 52, who runs a one-man practice in Hyde in Greater Manchester.

Dr Shipman was named as the sole beneficiary of Mrs Grundy's will, worth an estimated £350,000, mainly in property.

Dr Shipman recorded old age as the cause of Mrs Grundy's death, but a coroner ordered her body to be exhumed for a post mortem examination.

The further six exhumations, to be applied in the next few days, will make it the biggest investigation of its kind in Greater Manchester. Most of the 27 bodies involved in the investigation are understood to have been cremated. Detectives are understood to be asking why 26 of 27 under investigation are women.

Yesterday a police spokesman said that the suggestion that police would be exhuming six more bodies "is based on pure speculation". He added: "Police are still awaiting the results of forensic tests on the body of Mrs Grundy."

Dr Shipman has continued to practice at his surgery, refusing to comment on the inquiry.

Feltz lands £2m 'golden handcuffs' deal with BBC

Janine Gibson
Media Correspondent

VANESSA Feltz has risen from last week's debacle over her ITV morning show to sign a new contract with the BBC.

The corporation announced yesterday that it had signed her to an exclusive two-year "golden handcuffs" deal, believed to be worth around £1 million a year.

Ms Feltz, who is still on holiday with her family, took the opportunity to refute claims made last week by ITV that she had demanded up to £2.75 million and 40 prime-time shows to renew her contract to present Vanessa.

She said yesterday: "Basically I wanted to leave; the money was fine — it was good — it was the atmosphere and stagnating feeling of it all. It was my fifth year of doing the Vanessa show, I loved doing it but I didn't want to do it."

At the BBC, she will host a new live daytime show, as yet untitled, which the corporation promises will be at the heart of the schedule.

More importantly to Ms Feltz, her contract includes three other series — a prime-time magazine series, a new consumer series and her BBC1 hit, *Value For Money*. The Cambridge English literature graduate will also host a series of programmes about literature and literacy. She said: "[BBC1 controller] Peter Salmon told me he thought I could do for literacy what Carol Vorderman has done for maths."

Neither the BBC or Ms Feltz would yesterday comment on her salary.

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Rescuing Russia

The rouble stops here

THE scale of the economic and political disaster which threatens Russia is such that it demands an unprecedented effort by the international community. At stake may well be not only Russia's future stability, but the global economy itself, for a crash in Russia can hardly be confined in its effects to that country alone. It is true that Russia is not in the technical sense a critical part of the world economy. But if another large segment of humanity were to pass into economic darkness, the sense that things are out of control would massively feed the panic which can have such a devastating effect on international economic life. That Russia has in effect defaulted on its debts makes this even more likely. A decisive battle against these forces of panic and fear has to be fought somewhere, and the place for that fight, it can be strongly argued, is Russia. What is to be done? Should the top industrialised economies back the rouble to the hilt, putting in all of the money needed — it could well be a huge amount — to make the Russian currency real again? In return, and without conditions or backsliding, the economic reforms which Russian governments have constantly postponed, with the Duma undermining what efforts there have been, must be enacted and applied. This applies above all to tax. It is true that this would be yet another version of a deal which has failed twice already but this time, the argument goes, both sides would really deliver.

It is the tax crisis of the Russian government which has led to the fall of the rouble. Russia's money would be reasonably sound were it not for the fact that creditors could see that the government's income from its increasingly paltry tax receipts could not service its debts for much longer. That set off a flight of investors, which in turn produced an atmosphere in which everybody decided the rouble could no longer be trusted. The tax failure is a product of the central political contradiction of Yeltsin's Russia, which is that the government is beholden to, and manipulated by, the very groups which it must discipline if it is to achieve stability. The new corporate and financial class in Russia does not like paying taxes, and it regards efforts at reform as acceptable only if they incorporate yet more ways for it to make money. Its behaviour both deprives the state of revenues and sets an unhappy example for the rest in what was already a culture of tax avoidance.

The return of Viktor Chernomyrdin as prime minister brings to power a man notoriously unready in the past to challenge the irresponsible centres of economic power in Russia. Indeed, he was part of them. But it is not impossible that he could lead the belated conversion of that class to the view that Russia's interests must for a time take precedence over its own, if only because a general collapse threatens it as well. That, anyway, is the gamble we may well have to take. He would need also to create, in fact, if not in name, a government of national emergency incorporating all the major parties, so that the legislature would not again cripple policy.

It took a long time to turn the rouble into real money. But, in spite of all the disasters, difficulties, and upsets of the Russian economy in the 1990s, it was gradually happening. Russians were beginning to buy, save and

invest in their own currency. Overnight, the rouble has been demolished. It has to be restored. The danger in a grand rescue plan is that the money would be spent, but the rouble would continue to slide and the reforms would be still-born. What ought to make the difference this time is determination. This is in part a function of the seriousness of the situation, and there ought to be no doubt, inside or outside Russia, how truly serious this situation is.

New CJD threat

Denial is not an option

HAVE we solved the food chain transmission of new variant CJD — the human form of mad cow disease — only to discover other equally dangerous avenues remain open? This is the stark question posed by our front-page story yesterday of the discovery of the rogue protein associated with vCJD in a patient's appendix. How did it get there? The appendix is at the other end of the body to the brain. The appendix was removed from a patient with no clinical sign of CJD at the time. It was found in the lymphatic system. If it is found in blood with all its associated risks of transmission through blood donations? These are some of the questions posed by this development.

Belatedly the food chain has been cleaned up. Scientists last year estimated the chance of even one person in the country developing CJD from a current cow at 1 in 20. But remember the inherited problem: the people who ate beef offal, where BSE harboured, before the 1989 ban was introduced. Until then, minced brain and spinal cord had been consumed by large numbers in cheap burgers, pies and sausage rolls. When min-

isters first acknowledged a possible link between BSE and CJD, one scientist spoke in biblical numbers suggesting as many as 500,000 people a year could become infected. Most scientists dismissed this Doomsday forecast but conceded that we hardly knew anything about the disease. So far only 27 people have died from the new variant. But the threat remains because of the disease's long incubation period — up to 30 or 40 years. The 25th victim, who died from the disease earlier this year, had been a vegetarian for the last 13 years.

Earlier this year, ministers moved to shut off other potential infection avenues. All blood donations are now being subjected to expensive filtering treatment to reduce infective material. Plasma is now being imported. Important lessons have been learned from earlier errors in handling the BSE threat. Each new discovery is now openly acknowledged. There is a new commitment to research. Officials have ordered tests on thousands of appendix and tonsil specimens to see whether any others are carrying the infectious protein agent. They are ready to order mass screening of new patients due to have their tonsils or appendix removed. This raises acute ethical issues as the disease is currently untreatable. Will the patients want to know the results? But the screening is as necessary as the new open approach. Denial is no longer an option.

Out already

Managers must have time

WE LIVE in an era of performance appraisal, sure, when inspectors are folk heroes and auditors are feted and all of us live under the lash of appraisal. Those students sweating yesterday when they

received their GCSE results will learn: it's only the beginning, there's a lot more testing and league-table ranking where they came from. The modern corporate world likes to assess and measure, both high and low on the totem pole. But did we just say "league table"? In one branch the mania for judgment by results seems to have tipped over into insanity. That Newcastle United's manager, Kenny Dalglish, could even theoretically be called to account on the basis of two Premiership games — games which the club did not lose — is extraordinary. Not for the first time it prompts the observation that modern English (come to think of it, the Scots don't behave that differently) football is still stuck somewhere in transition from cosy clubs to rational big business. English corporate culture may merit the charge of short-termism in its attitudes to profit and investment but most share holders give managers the benefit of at least a quarter's results. For Dalglish to be in jeopardy so soon after the season's start suggests those in control at St James's Park live in a pre-rational world of magic spells and instantaneous solutions, though the signs from elsewhere say they are far from atypical.

Don't weep too copiously for Kenny Dalglish or Christian Gross or Ruud Gullit (for he must know, if he goes to either Spurs or Newcastle, his head will be back on the block soon enough). They are well recompensed for uncertainty and sudden termination. It's the game which deserves tears. Too much can be made of older traditions of nurturing talent and building for tomorrow, of expecting genuine fans to show the patience of loyalty. But even in a results-obsessed culture, time must tell. The Shankleys and the Steins, managers able to craft a team slowly, endure indifferent seasons for the sake of future glory — are they really such anachronistic figures?

Letters to the Editor

Is Mandelson an alien?

NOT unlike Paul Haywood (Letters, August 27) I took a degree then studied for a further two years to qualify as a social worker. Five years later, I earn £18,000 and have recently had my annual leave cut by five days. It may or may not be true that "nobody forgets a good teacher". It is certainly true that nobody gives a damn about a social worker. Teachers know what they are getting into; Paul Haywood hasn't even started and already he is whingeing. Pete Bowler, Griffithstown, Gwent.

If George III did write on July 4, 1776, "Nothing of importance based on today" (Beware the long-term dinosaurs, August 26), this may have had something to do with his being on the other side of the Atlantic from the American Revolution, rather than a lack of insight or, indeed being "potty". As for the Internet was a lot slower in those days. Mick James, London.

RUSSIA'S economy collapsed, the American President verges on impeachment, people can now be arrested on the evidence of one policeman's word, the first "cyborg" is tested and Islam takes on America. If this is the silly season, then we're going to have some fun and games when the serious politics begin. James Hulme, Rugby, Warwick.

THE difference between "showers" and "outbreaks of rain" in the fanzaster rulebook is not enough. But now (Weather, August 26) we have something still more mysterious: "showery outbreaks of rain". Can the metaphor speak stylistically? John Wardroper, London.

MANDELSON'S time craft (Analysis, August 27): Haven't you worked it out yet? Mandelson is an alien, Millbank Tower is a camouflaged space ship and the Dome is an incubation/breeding facility. Cllr Jeremy Sutcliffe, Oldham MBC.

Please include a postal address, even on e-mailed letters, and a daytime telephone number.

Lack of vision over grant

THE parents of Alexander Faludy (Gifted boy loses case for study aid, August 26) should be publicly congratulated for their high Court action against Portsmouth City Council. As both Mr and Mrs Faludy are teachers, they should be only too aware of the financial restrictions imposed on metropolitan councils and educational authorities. Yet they arrogantly demand fiscal assistance for 15-year-old Alexander at Peterhouse, Cambridge. To add insult to injury, the Faludy's son attends a private school in Dorset, presumably not as an assisted scholastic student? Yet again there is a likelihood that a middle-class youngster will benefit from state help to the probable, and unpublishable, detriment of less privileged children.

Cambridge University should itself be circumspect over its offer of a place to such a young, if albeit, precocious talent. Kudos no doubt for Peterhouse but what of Alexander's development as a young man? One recalls previous prodigies accepted by Oxbridge colleges who appeared to have become insufferable, pompous, little adults before their time.

Perhaps Alexander should spend the next three years as a classroom assistant in one of his parents' own schools, as

proposed this week by the Education Secretary? I am sure that a genius, who happens to be dyslexic, would prove an ideal candidate for this scheme. Edna Walthrop, Watford, Hertfordshire.

HOW mean-spirited and short-sighted of Portsmouth City Council to refuse to fund the degree course of Alexander Faludy. The treatment of "gifted children" in this country, particularly at the hands of local authorities, is quite appalling. Their excuse of safeguarding the council taxpayer is simply not good enough.

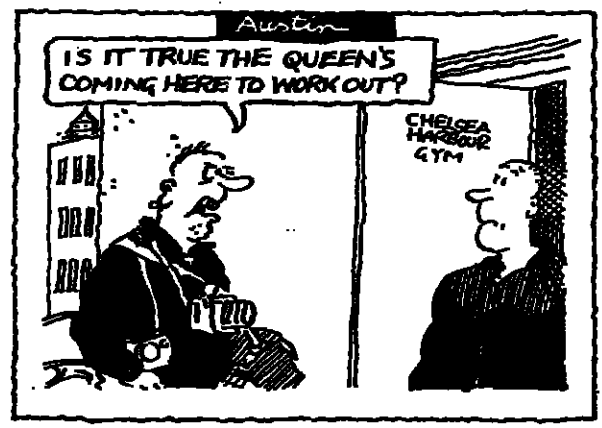
Your report of his case seemed to flounder on the fact that he was educated privately. Clearly this was because the state system had failed him in the first place. Gifted children do have special needs, and they are ultimately the responsibility of those whose ideas and inventions will ameliorate the situations of the less able, and help to save the resources of the town hall bureaucrats who so shamefully fail to support children like Alexander. Dr Christopher C Lee, Moniaive, Dumfriesshire.

WHY doesn't Peterhouse Cambridge itself produce the money needed by Alexander Faludy? By any normal

standards it is a loaded institution. It seems wrong that his family have to go to the trouble and expense of legal action, or have to seek sponsorship, when a little generosity and imagination by the academic authorities would have solved the problem. This is such an unusual case it will surely not expose the college to constant raids on its funds. Timothy Alves, London.

WAS saddened that Portsmouth refused to help Alexander Faludy. Didn't they know that Einstein was dyslexic? I should be more than happy to contribute £250 to his expenses... are there 600 others out there who would like to do the same? Andrew Birkin, Pwllheli, Gwynedd.

YOUR photograph of Alexander Faludy illustrates again the poor fitting of spectacles in Britain. For optical efficiency one should look through the middle of the lens, and in general, the upper rim should be in line with the eyebrows. Alexander's modern frames slip down the nose, resulting in poor neck posture, mannerisms and suboptimal appearance in children and adults. Dr R B Wood-Walker, Colchester.



NoW puts the screws on agency

ROY Greenlade's article (Wise words, August 24) mentions the dispute between the News of the World and PressWise. We have presented proof to the organisation's executive director, Mike Jemson, who accuses us of misrepresenting the facts in our story about a surrogate mother who was dumped by the biological parents of a baby she was carrying, but for some reason he is quite happy to ignore it all. The interview with surrogate mum, Claire Collier, and her boyfriend, Anthony Bradley, was taped with their permission and I firmly believe our story is an accurate reflection of that interview. They even provided us with the telephone number of the biological parents.

On the Saturday before publication, the full story was read over to them. They made no complaint whatsoever about the wording or the facts reported.

Mr Jemson claims the suggestion that the baby was unwanted by the biological parents, but Anthony Bradley says on tape: "We are getting no feedback from this couple. Since Claire has been pregnant, they have not been there."

He goes on: "Claire kicked off at COTS. Told them they had not been there for us. We are having loads of problems with this couple." Despite repeated approaches and requests to explain their position, the biological parents declined to speak to us. We went over backwards to be fair when presenting the surrogate parents' story. Perhaps if they really are that unhappy with us, they might send back our fee — money which they pursued after the story was published without a murmur of complaint. Philip Hall, Editor, News of the World.

Baby talk

AS the director of Blackwits, a charity which works with London's black and ethnic communities and providing advice and services regarding HIV and sexual health, I believe Polly Toynbee (Why kids have babies, August 26) is absolutely right to identify sex as a class issue. But I should also add that the dynamics of race are a major factor within this social equation. Rates of unplanned pregnancies, sexually transmitted infections and HIV/AIDS are significantly higher among certain black and ethnic minority groups.

Quite clearly, as Ms Toynbee points out, we need a completely different ethos to sexual education in this country, and within any new strategy it is essential that those young people from particularly high risk groups — be they defined by race, class or geography — need to be identified, and specific interventions to meet their needs developed. I was, however, rather perturbed to hear that the Social Sexuality Unit has been drawn into the equation on this issue. Its track record so far in confronting the challenges of race and social exclusion has been rather lamentable. At Blacklifers we will be watching with interest. Mark Blake, Director, Blacklifers, London.

Presidential sex

MARTIN Kettle (Analysis, August 26) omits some classic presidential misdeeds, possibly the most relevant of which were those of Warren Harding, the 29th president. When Harding's gubernatorial cronies entered the White House, they immediately began lining their pockets by selling off state assets. The biggest illegal sale was of the oil fields known as "Teapot Dome", which had been set aside for national emergency. When Harding discovered that he had been short-changed by the "Ohio Gang" (as they were known), he was furious: a party of tourists visiting the White House discovered him attempting to strangle the Secretary of State. One cabinet member took his own life rather than face trial.

Harding also had sex in the Oval Office. He and his mistress, Nan Britten (who was 30 years Harding's junior), would retire to a sofa by the fireplace, which the president had cleared of everything but "a wide shelf". Harding was nearly discovered in flagrante delicto several times and only escaped impeachment by dying. Presidential Sex by Wesley Haggard (1995) is required reading for those who require a fresh perspective on the Clinton and Lewinsky saga. Garrick Alder, London.

River chief floats 'Blue Belt' idea to protect the Thames

YOU are right to point to the need for action to counter the threat to the river posed by the development along its banks (Lead, August 26). The London Rivers Association has proposed a "Blue Belt" for the Thames to give it similar protection to the Green Belt. It may surprise many that there is so little protection for this unique natural resource in the heart of our city. A number of the historic bridges — Vauxhall included — also suffer from a lack of protection.

Two years ago, everyone associated with the river was heartened when the last government issued planning guidance for the river and its banks. It was the idea of a Thames Policy Area. It has not worked. Since then a tide of speculative development has been unleashed that, if allowed to continue, will create a cliff wall of luxury development effectively cutting off the river again from Londoners.

It is time for the Government Office for London to offer some leadership. It should also be a statutory duty for local authorities to have to clean up the rubbish on their respective foreshores. George Nicholson, Chairman, London Rivers Association.

In the 1960s, arriving back in London after a voyage to Australia, our paintwork, brass and copperwork in the engine room would be polished and gleaming. Within 24 hours of arrival at the docks the paintwork would start to look brown and the brass and copperwork tarnished. If you fell into the docks, it was a 24-hour stay in hospital and a stomach pump. In the 1960s, working at one of the Thames power stations, we would see fish, evidence that the clean-up was producing results. William Frost, Arnscliffe, Cumbria.

Give terrorists a taste of their own medicine

ALAN Clark's belief that the Guardian's letters page is for "people with medical problems" has some credence following the ugly outpourings of anti-Americanism in the wake of the justified strikes at terrorist targets in two of the most despicable countries on earth.

In two world wars this century, the United States saved us twice. America is now under very real threat from the menace of Islamic fundamentalism. A month ago the great debate was whether we should continue sending handouts to Sudan while that poor country's "government" was carrying out genocide against

rebels in the south. Yet suddenly Sudan is being held up as an innocent victim of aggression. If anyone seriously believes the bombed and bombed targets are medicines for the good of the population, they'll believe anything. M C Harrigan, Nottingham.

HAVING read the latest round of trendy yank-bashing from Richard Norton-Taylor and Mark Steel, I wonder what the parents of the children maimed and killed in Omagh, Kenya and South Africa think of this mistimed at-

tempt to outrage people. I bet they know "when a terrorist is a terrorist".

The people who perpetrate these atrocities are psychopathic killers who should be in hospitals for the criminally insane. An attempt to "take them out" would seem to be the only alternative. Please don't print my name and address. I would not like a "freedom fighter" to object to my freedom of speech. Name and address supplied.

In the light of the terrorist outrages against innocent victims, I support the Government's firm and resolute response, which is far less "hy-

terical" than the strident calls of hatred and intolerance, which emanate from these unrepentant, but extremely dangerous groups promoting international terrorism. CW Garnett, Market Drayton, Shropshire.

IT is the critics of draconian means to round up the remaining murderers, who have not learnt anything from history (The Government has learnt nothing from history, August 26). Historically these murderers were sheltered by their many supporters, or passively accepted — as in Dunblane. It is a pity the legislation was not immediately available to nail these creatures. Charles R Smith, Chesterfield.

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John Willis

Housing and Shelter

JOHN WILLIS, who has died aged 79, was director of Shelter from 1971 to 1973. Never a charismatic campaigner like his predecessor, Des Wilson, his lasting memorial is the present thriving, mainstream work of housing associations which he helped establish through his work at Shelter.

Willis was an unlikely housing campaigner. Born in Oxford, he was educated at St John's School, where he was a chorale scholar, and Magdalen College. He served with the Royal Air Force during the second world war and was shot down twice in Tunisia, before being captured in 1942. He passed the rest of the war at the Stalag Luft 17, the camp made famous by the "Wooden Horse" escape. He left the RAF as a decorated flight lieutenant in 1945.

After a period in industry, he worked in estates management, in 1953 becoming Magdalen's estates manager — a post to which his donnish manners were suited. Then, in 1956, he became Oxford's first rent officer. Shocked by the living conditions of many of the families he had to visit, he took the unlikely step of becoming full-time secretary to the Housing Societies Charitable Trust (HSCT). In the mid-1960s, council house building was in its heyday. Housing associations and societies were small-scale and peripheral. And so, too, was the financial support work of the HSCT. Then Shelter, the National Campaign for the Homeless, was launched and everything changed. Set up to raise money for a new breed of inner-city housing associations, Shelter rapidly raised money beyond its founders' expectations. Initially it distributed its funds through the HSCT.

Shelter's director, Des Wilson, soon recruited Willis to run the aid programme in-house. The publicity and fund-raising potential of providing directly funded housing solutions for the

homeless was just too good to miss. Willis orchestrated support to 35 associations in the cities and encouraged their development and expansion with simply administered grants which enabled many of today's multi-million-pound associations to buy their first properties and appoint their first staff. And Shelter fund-raisers were able to promise that "£225 will house a homeless family".

In 1971, Willis succeeded Wilson as Shelter's director. He extended its role into more specific housing policies and programmes, and increased its support for independent housing aid centres, whose success led many local authorities to set up their own. The Shelter Neighbourhood Action Project (SNAP) in Liverpool had pioneered area-based house improvement programmes. The government was looking for ways to extend this approach and the result was the 1974 Housing Act. Drafted by a Conservative Secretary of State, enacted by Labour, it set up the Housing Corporation, set out housing action area powers and, crucially, gave housing associations a secure basis of public funding for the first time. All this was largely based upon Shelter's evidence and campaigning during Willis's tenure.

Although an unlikely campaigner, his plummy tones made Willis brilliantly suited to tackling the establishment. At a housing finance seminar in 1972, he assembled a heavy-weight cast to lay on the case against reckless building society lending policies which had fuelled both house price and general inflation. It was a stunning coup, especially as it ran counter to the current orthodoxy.

It was typical of the man to take this maverick route, quite distinct from the emotional appeal of established Shelter campaigning, yet taking on difficult political and economic issues. His personal style, with arcane, often oblique language, was not in



Bringing intellectual and political depth to housing campaigning... John Willis

the populist Shelter mould. But he brought a necessary intellectual and political depth to housing campaigning on which his successors have built and made central to the organisation's work. In 1973, Willis moved on to

the Castle Rock Housing Association in Edinburgh. Willis was always more of a public than a private person but in 1979 he embarked on a personal odyssey which is still largely unexplained. He disappeared overnight,

few places apart from the otherwise unattractive Ian Smith's Rhodesia that would provide an English-speaking 60-year-old with work. He rejoined his wife, Audrey, a year later and the family moved to Holyoke where they settled happily.

In his later years, he worked as a fund-raiser for Help the Aged and upon "retirement" he was a tireless and effective independent fund-raiser for a range of charities. Following Audrey's death earlier this year, he struggled doggedly to overcome the effects of a serious stroke. He leaves a son, Paul and a daughter, Penny.

David Bebb

John T. Willis, housing consultant, born October 27, 1918; died August 16, 1998

At a housing finance seminar, he assembled a heavy-weight cast to lay on the case against reckless building society lending policies. It was a coup

become the director of Liverpool Housing Trust, one of the organisations he had helped establish with Shelter funding. From there, in 1976, he responded to an invitation from Rev (now Bishop) Richard Holloway to direct

leaving no information for his family other than that he "had to get away". It was months before his family, receiving a post restante letter from Salisbury, Rhodesia, learnt of his whereabouts. He explained that there were

William Grieve

Tory MP for Europe

PERCY GRIEVE QC, who has died aged 83, was the Conservative MP for Solihull for 19 years and a Recorder for 21. He died a happy man, having seen his surviving son Dominic establish himself as the new, free-thinking Tory MP for Birmingham.

Grieve himself arrived in the Commons in 1964 with an invisible joke albatross around the neck of his tall, spare, erect frame. This derived from a cock-up when he fought Dick (now Lord) Taverne for the 1962 Lincoln by-election, caused by the resignation of Labour's Geoffrey de Freitas. Local Tories printed a poster, "Grieve for Lincoln" and neither the press nor Dick Taverne ever let him forget it, particularly when he did almost as badly as other Tories in by-elections that dismal year. He entered the Commons as MP for Solihull in 1964, the year of Labour's victory.

His soldierly bearing had something to do with his colourful seven years as a military diplomat on a staffman, but more from his consciousness of being the posthumous son of Lieutenant Grieve. A Lowland Scot serving in the Middlesex Regiment, he was killed in action at Ypres in 1915 — a month before Percy was born.

His mother quickly married a Dr Cunningham and there was money enough to send him to a private prep school, where he showed himself an excellent scholar. He became an assistant recorder for Leicestershire in 1956 and took silk in 1962. In tandem with his legal work, he served on the Mental Health Review Tribunal in the Sheffield area.

Anxious to argue his pro-European and mental health ideas, he was willing to take down the 1962 by-election at Labour-held Lincoln, despite the Macmillan government's low standing. Correspondents covering the by-election found his language "archaic" and over-serious compared with chirpy, glibly following barrister Dick Taverne. Taverne won and Grieve lost 15 per cent of the Tory vote.

He lost only 3,000 of Sir Martin Lindsay's 23,000 majority at Solihull when he replaced him in the 1964 general election. From his maiden speech, he made clear

his pro-Europeanism and his profound enthusiasm for an Anglo-French alliance, pleading for the "Concorde" project, then considered to be under threat.

From 1965, he had a more difficult problem with new Wilson government's efforts to curb racism. Himself an enemy of discrimination ("To me, any idea or conception of discrimination in this country on grounds of colour, religion or any other ground is anathema"), his constituents were mostly middle-class refugees from Birmingham's "brown ghettos" of Pakistanis and Indians. Lower-middle-class Midlands Tories were seeking to voice their opposition to this "invasion". But the leading local Tory, Enoch Powell, was two years short of taking up the challenge with his 1968 Rivers of Blood speech.

Grieve looked for a "middle way", resisting discrimination while opposing Labour's Race Relations Act 1968 (Amendment Bill as too "interventionist") and not "acceptable to the general conscience of the community" which, in the Midlands, was racist.

He served on the bill's Committee and later on the Select Committee on Immigration. One of its other members, the late ex-Troustkyist Sid Bidwell, the leftwing Labour MP for Asian-dominated Southall, approached him to say: "You know, I had you wrong. You are not as bad as I thought." Bidwell discovered that, under Grieve's starchy seeming exterior, there beat a warm human heart.

Although he had the second safest seat in the country with a majority of 32,597 in 1979, in 1981 he decided to stand down. A bout of heart trouble led to him having a pacemaker installed in 1976 and as a pro-European, active in the Council of Europe from 1966, his highest hope was to become its president — a hope that was frustrated in 1978.

Evelyn and two of their children predeceased him. He is survived by Dominic and two grandsons.

Andrew Roth
William Percival Grieve, politician and lawyer, born March 25, 1915; died August 22, 1998



Human heart... Grieve



Persis Khambatta in Star Trek

Persis Khambatta

A model career

PERSIS KHAMBATTA, who has died of a cardiac arrest aged 49, was a model at 14, Miss India in 1965 and in 1979 starred as the bald heroine of *Star Trek: The Motion Picture*. She had made it in Hollywood, an impossible feat for most Indian stars.

After becoming Miss India, she played a cabaret singer in the leftist film-maker Khwaja Ahmad Abbas's *Bambai Rast Ki Bahon Mein* (Bombay in the Arms of the Night, 1967). She won the critics' award for best newcomer and established a ritual. Miss India now all venture into "Bollywood".

Khambatta was a Parsi, born into a middle-class Bombay family. A portfolio of her pictures became the basis for a soap advertising campaign, launched her modelling career and led to the Miss India title.

She continued modelling but, finding female roles in Indian films unchallenging, she took off for Heathrow airport, landing with just 23 in her pocket. She recalled walking through rain and

snow during a London postal strike, "wearing only a thin silk kurta and pants, to deliver my pictures to photographers."

Her breakthrough came with Ralph Nelson's *The Wilby Conspiracy* (1976), in which Khambatta played opposite Sidney Poitier. The film was also a turning point for Saeed Jaffrey who got a part on her recommendation. He was "resting" from his acting career, selling Christmas decorations at Harrods. Two weeks later, he was flying first-class to Nairobi with Michael Caine and Khambatta. The same year, she appeared in Michael Anderson's *Conduct Unbecoming*, alongside Michael York.

HER MODELLING career flourished and she was billed "the Sophia Loren of India". Then came *Star Trek: The Motion Picture* with Khambatta as Alia, the starship's navigator from another planet. She appeared at the audition wearing a skintight cap. "I wanted them to see what I

would look like without hair and told them that if I played the role, I would have it shaved." In India, she observed, women sacrifice their hair to God; for Khambatta, it was her career that she sacrificed.

Two years later, she appeared in the Sylvester Stallone movie *Night Hawks*. In the 1990s, she returned to Bombay. Eager to highlight the controversial role of Indian beauty queens, she directed her energy into writing her book, *Pride of India*, which chronicles the success of all former Miss Indias. The book is dedicated to Mother Teresa whom Khambatta admired. Earlier she had raised \$50,000 for victims of the Latur earthquake.

Neither money nor success was everything, she observed, life was more than that. She is survived by her mother and a brother.

Lalit Mohan Joshi

Persis Khambatta, model and actress, born October 2, 1948; died August 16, 1998

Robin Dilks

Service to the world

FOR 37 years, from our time together at Manchester Grammar School, Robin Dilks, who has died of a heart attack aged 48, was the brother I never had. Our shared enthusiasms for Wordsworth, Chester's Best Mild, Elgar, Brian Statham and Colin Bell kept me sane at difficult times. But as a tireless journalist with a unique talent, he won a high reputation across the BBC World Service. An important element of that talent was detachment and independence: always questioning, always probing, never willing to accept the received wisdom of the day. While loyal and devoted to the BBC, and quite unable to imagine working elsewhere, he was nonetheless the antithesis of a company man, angular in attitude, politically unplaceable and quite without personal ambition.

After Manchester Grammar and Oxford University, Robin made his international

reputation as the World Service United Nations correspondent in the mid-1960s. His father had been a pillar of the Mancunian UN Association for 30 years.

I and others feared that the reality of corridor life in New York would bring sad disillusionment. But he quickly proved that, in spite of appearances, UN politics were important and could be made intelligible to the general listener, a feat rarely achieved before or since, within the BBC or outside it.

His next posting, to cover Latin America from a new office in São Paulo, was even more of a challenge. For four exhausting years, Robin sat under slow fans in every airport lounge from Caracas to Comodoro Rivadavia, bringing careful skill to bear on complex stories. The abiding interest and love for Latin America he gained then was carried forward into his last post as news and current affairs editor, responsible for

editorial oversight of all World Service output to the Americas. His sound understanding of the Byzantine politics of South American republics, in particular, was an enormous asset.

But Robin's greatest talent was for friendship. The last postcard of many hundreds — received after his death — offered the prospect of a joint trip to Fulham's Craven Cottage. Only Robin's calm sideways comments could have made Manchester City's latest dismal defeat even half-way bearable. And there were many other friends with whom he shared different excitements: fell-walking, France, children. Robin, like many single men, took on more than his fair share of godchildren over the years.

But, just as it seemed that surrogate parenthood was his fate, he and his partner, Liz Remboska — a long-standing World Service colleague —



Tireless... Robin Dilks

conceived a child of their own, due this autumn. Late-flowering fatherhood seemed never more merited.

That he should die before enjoying that baby is hard to bear, for Liz, his sister Marjorie and all those who loved him. He was a quirky, original, cultured, gentle and very English man.

Howard Davies

Robin Dilks, journalist, born October 19, 1948; died August 12, 1998

CORRECTIONS AND CLARIFICATIONS

MARTHA RAYE, the actress and comedienne, who appeared in the Birthdays column yesterday died in October 1994. Apologies.

THE FALKLANDS veteran turned writer, referred to in a report on Page 10 yesterday, is Ken (not Len) Lukowiac.

OUR 40-PAGE Results Day supplement (A levels), August 20, had its pages numbered in Roman numerals. This worked well until the final page, when 40 was given as XXX instead of the conventional XL, spelling what would otherwise have been a score of C.

It is the policy of the Guardian to correct errors as soon as possible. Please quote date and page number. Readers may contact the office of the Readers' Editor by telephoning 0171 239 8589 between 11am and 5pm, Monday to Friday. Surface mail to Readers' Editor, The Guardian, 119, Farringdon Road, London EC1R 3ER. Fax: 0171 239 9897. E-mail: reader@guardian.co.uk

A Country Diary

GLOUCESTERSHIRE: At this stage in the year, we can have a comfortable, indeed complacent, feeling of self-sufficiency, with home-grown lamb and July soft fruit in the freezer, beans, onions, shallots and potatoes all to be collected, tomatoes in the greenhouse and cooking apples ripening on the tree. But the plums have been a virtual non-event this year and, since my wife came home yesterday with a basket of Victoria from our daughter's garden in Old Marston, Oxford, I fell to pondering on the microclimatic local variations that result in these inconsistencies. Our two Victorias, on semi-dwarfing root stock, usually produce an annual crop of plums that some weeks of fresh fruit. This year, both trees have been left to rot, only handfuls of fruit and by the time I have competed with the grey squirrels and the magpies to get to the ripening plums first, it does not add up to a lot that is left for the human bipeds who took the trouble to plant and nourish the trees. But the plum is an unpredictable fruit tree. My father, who planted a Victoria in his London suburban garden in 1936, the year of my birth, always told me that after its experience of bombing during the Blitz, the plum never fruited as he would have hoped. Two hundred yards from here there is a plum tree, I believe of the variety Czar, which has fruited only once in the 10 years we have been here — that was last year. I sped along with a basket, for it stands in a position of no apparent defined ownership. This year it has not borne a single plum. Old Harold, local sage, observed that he hoped I had enjoyed last year's harvest. But that was only because I got there before him.

COLIN LUCKHURST

Left: Mohan Joshi

Persis Khambatta, model and actress, born October 2, 1948; died August 16, 1998

Birthdays

Paul Allen, footballer, 36; The Duke of Argyll, chief of Clan Campbell, 61; Sir Kenneth Berrill, economist, 78; Imogen Cooper, pianist, 48; Prof Wendy Davies, historian, 58; Windsor Davies, actor, 68; Janet Frame, novelist, 74; Ben Gazzara, actor, 68; Sir Rupert Hart-Davis, author and publisher, 91; Sir Godfrey Hounsfield, inventor of the Ektachrome, 78; Anne Hudson, prof of medieval English, University of

Oxford, 60; Emlin Hughes, footballer, broadcaster, 51; Prof Sir John Kingman, vice-chancellor, Bristol University, 58; John Marshall, jazz drummer, 55; Donald O'Connor, actor, dancer, 73; Jamie Osborne, jockey, 31; Max Robertson, broadcaster, 83; Emma Samms, actress, 38; John Shirley-Quirk, bass-baritone, 67; David Soul, actor, 54; Ian Stewart, Labour MP, 48; Prof Roger Williams, hepatologist, 67.

The Guardian Travel Shop

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The Guardian

100,000 factory jobs at risk

Mark Atkinson
Economics Correspondent

FACTORY warehouses are filling up with unsold goods as manufacturing slips deeper into recession, according to a survey published yesterday.

The Confederation of British Industry's monthly Industrial Trends Survey showed order books bottoming out in July after several months of steep declines. But with no signs of a pick-up in demand at home or in export markets, output expectations have fallen to their lowest level since November 1992, when the economy was clawing its way out of recession.

The gloomy outlook for output is reflected in a mounting stockpile of unsold goods. Only 2 per cent of manufacturers reported that their stocks of finished goods were inadequate to meet demand while 23 per cent said they

had more than enough to meet existing orders. The difference between the two figures — a positive balance of 21 per cent — was the worst figure for more than a year.

Sudhir Jankar, the CBI's Associate Director of Economic Analysis, said: "There is no sign in this survey of the pressure easing on UK manufacturers. They are starting to see a build-up of stocks of finished products in the face of weak demand. Prospects for the immediate future are poor with output set to turn down over the coming four months. The other side of the coin is that price reductions by manufacturers are very much on the cards as competitive pressures remain strong."

The CBI sees no respite in store for manufacturing, which is expected to remain in recession until the middle of next year, shedding 100,000 jobs in the process. By the end of 1999, employment in the sector is expected

to have fallen to around four million. Most of the redundancies are expected to occur in sectors exposed to export markets, where the strong pound and deteriorating global economic outlook are making life difficult for domestic manufacturers.

Also expected to be hit are those parts of manufacturing vulnerable to competition from cheap imports, such as textiles. Adam Cole, UK economist at HSBC Securities in the City, said the CBI survey showed that the marginal rise in manufacturing output recorded by official figures in the second quarter of this year was no more than a blip. "Manufacturers' woes are further compounded by the onset of deflation with the survey pointing to significant falls in output prices from here."

With investors seeking "safe havens" for their money in the face of tumbling stock markets and plunging currencies elsewhere in the world, the Bank of England's monetary policy committee will continue to fret about the strength of activity and inflation pressures in services. As such, the first cut in base rates remains a long way off and manufacturers can expect little in the way of relief from a weaker exchange rate.

Nick Hopkins and Charlotte Denny test the mood in four cities as economic fears grow

Hope and gloom as Britain faces a full-blown recession

London appeared complacent as the stock market plunged yesterday. But the CBI's warning of decay sent a chill through other parts of the country

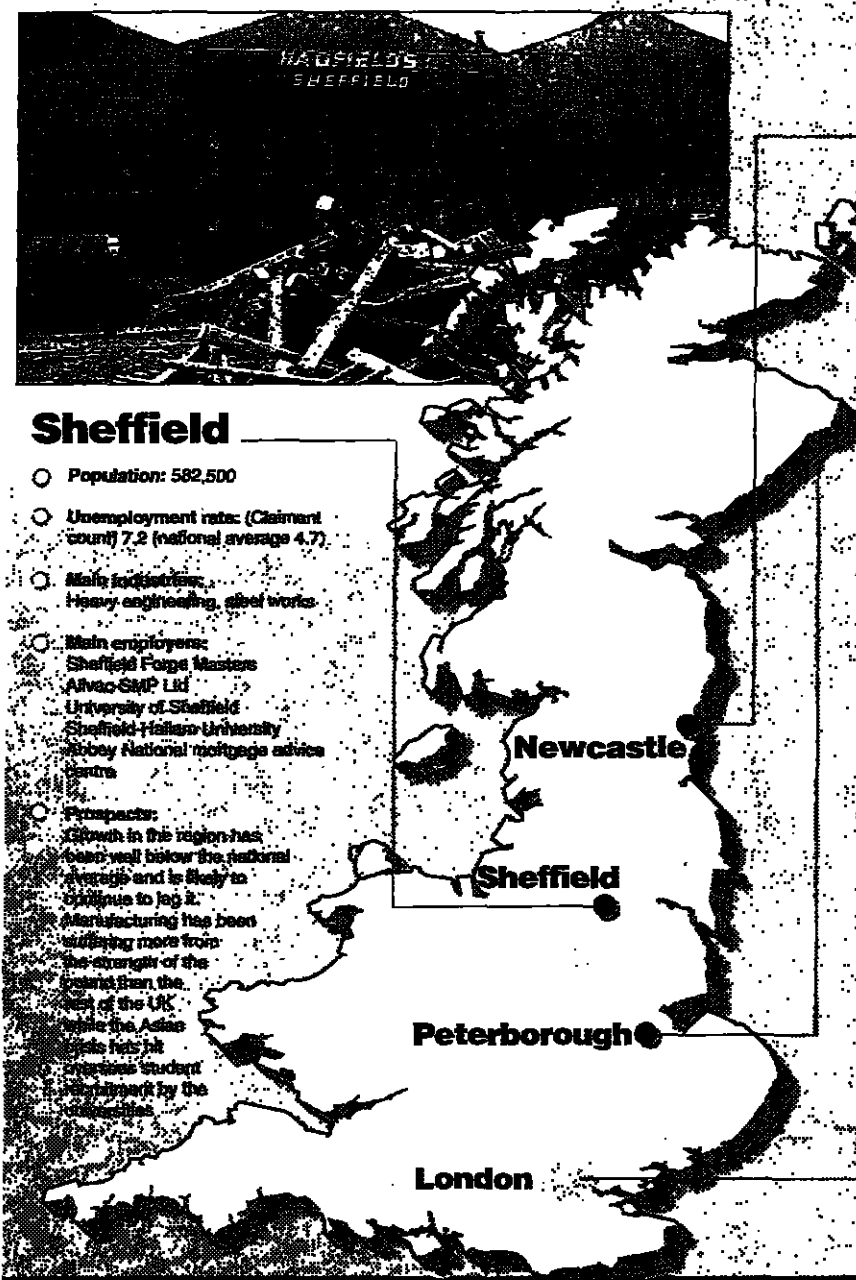
London

FOR Londoners, economic slowdown is something they read about in newspapers during the silly season. "Job losses are newsworthy at the moment but I think it's because the summer is a quiet time," said Keith Kirby, an ecologist with English Nature. "I don't think we're on the verge of anything serious. An economic blip, that's all."

Mr Kirby may be right to be complacent. While City forecasters think national output growth will slow to just over 2 per cent this year, the capital is set to grow at twice that pace, say the London Chambers of Commerce. The London economy runs on different fuel from the rest of Britain. Business and financial services provide jobs for a larger proportion of the workforce than anywhere else in the country and these sectors are still growing at a blistering pace.

Fickle fortunes

Four cities facing differing economic challenges



Sheffield

Population: 582,500
Unemployment rate: (Claimant count) 7.2 (national average 4.7)
Main industries: Heavy engineering, steel works
Main employers: Sheffield Forgemasters, Avaya Ltd, University of Sheffield, Abbey National mortgage advice centre
Prospects: Growth in this region has been well below the national average. It is likely to continue to lag behind the rest of the country. Manufacturing has been struggling more from the strength of the pound than the rest of the UK. The steel industry is under pressure from the Asian market.

Newcastle upon Tyne

Population: 283,100
Unemployment rate: (Claimant count) 7.0 (national average 4.7)
Main industries: Traditional manufacturing (shipbuilding), High tech, Call centres
Prospects: The North-east had been doing well over the last few years on the back of foreign investment, but the crisis in Asia has caused firms such as Siemens to pull out. A lot of the North-east has yet to recover from the last recession. On the plus side, Newcastle is a big retail/leisure market and is now starting to attract call centres. But this kind of work does not replace the full-time manufacturing jobs that have been lost.

Peterborough

Population: 159,300
Unemployment rate: 3.7 (national average 4.7)
Main industries: Insurance and financial services
Main employers: Perkins engines manufacturers, Freemans mail order distribution, Pearl Assurance, Peterborough hospital, General Domestic, Thomas Cook
Prospects: Growth starting to slow but still above the national average. Peterborough benefits from being on the edge of the high-tech 'Silicon Fen' area on the fringes of Cambridge.

London

Population: 6,905,000
Unemployment rate: (Claimant count) 6.5 (national average 4.7)
Main industries: Law, accountancy, financial services, advertising and the arts
Main employers: The City
Prospects: London is the driving force in the booming South-east and is expected to continue to grow above the national average this year. Its large services sector has yet to feel the pinch from the pound's strength. Despite London's prosperity, many inner-city boroughs still have unemployment rates well above the national average.



The City of London

Sterling's strength proves steel city's weakness

Sheffield

SHEFFIELD'S manufacturing base has been surprisingly resilient over the years, but it is being punished anew by the strong pound. Business leaders fear all the good work that has been done to revive the city after the demise of British Steel is being systematically undone.

Ironically, Sheffield's mid-90s renaissance was due partly to the industry. A handful of firms making specialised steel forged their way, and the city currently produces more than in its heyday. Then, however, British Steel employed 40,000. The new manufacturers, Avaya Sheffield and Sheffield Forge Masters among them, have recruited fewer than 3,000. Their success has been cou-

pled with the emergence of a thriving service industry, epitomised by the Meadowhall Centre, a rival in size to the Metro Centre in Gateshead. The city benefits from having two big universities. They are significant employers, and the their 45,000 students give shops, clubs and bars an extra buzz in term time. Unemployment has fallen for the last three years. It now stands at 5.7 per cent, and the

city's GDP is expected to rise by 1.3 per cent this year, the third increase in a row. The figures mask a vulnerability which is being exposed by sterling. Sheffield's exporters are being clobbered by competitors from abroad. The crisis in Asia is having its effect, with the emergence of steel-dumping. Manufacturers from the East are flooding the market with products sold at less than cost. Recently, the engineering

firm Kvaerner Davy announced 150 redundancies. Earlier this year, Avaya Sheffield halved production for a week because of poor demand. Other firms are creaking under the strain. "It hasn't got to the stage where firms are in crisis, but we are not far off," said a spokesman for Sheffield Chamber of Commerce. "The Government has encouraged firms to export, but the strong pound is beginning

to cripple them. The Treasury cannot deny the harm that is being done. Without some kind of help, there will be many more job losses." People in Sheffield seem aware that the city has only recovered partially from the devastations of the Thatcher era. "The vacuum hasn't been filled," said Nigel Barron, a nightclub manager. "Sheffield is not London. It doesn't feel affluent."

Suffering starts again

Newcastle

FEW cities suffered like Newcastle in the 1980s and early 90s, and the region is hurting again. The statistics make depressing reading. Talk in pubs and clubs is not of regeneration but survival. The North as a whole underperformed last year; its gross domestic product increase was 2 per cent, compared with an average of over 3 per cent for the rest of the country. This year is expected to be even worse, with a GDP rise of just 1 per cent. Economic surveys predict recession and, inevitably, analysts blame the strong pound.

Newcastle reeled from the loss of the coal and shipbuilding industries. It looked to technology to breathe new life into the region and foreign investors were lured with Government grants. Rolls-Royce, now owned by Volkswagen, moved its research and development centre from Newcastle to Derby — a significant loss because the area needs to retain skilled jobs. The real blow, though, came four weeks ago when the German industrial company, Siemens, announced the closure of its £1 billion semiconductor plant on Tyneside, with the loss of up to 1,100 jobs. The Forest Hall factory, in the constituency of Chief Secretary to the Treasury Stephen Byers, was opened by the Queen last year and built with around £50 million of taxpayers' subsidy. Jim Cousins, Labour MP for Newcastle Central and a member of the Commons

Industry Committee, said Siemens was "the jewel in the crown of Tyneside's new industrial future". The business contributed an estimated £70 million to the local economy and union leaders believe the total number of job losses will climb to 3,000 as the closure hits suppliers. In Forest Hall, there is a pervasive sense of déjà vu. "This place could become a ghost town again," said Kevin Lyon, treasurer of the Forest Hall Working Men's Club. "People have been knocked down that many times, you wonder how often they can get up." Some business people want a Minister for the North to help compete for investment with Scotland and Wales. Others simply want the Government to remember that the world does not revolve around the Home Counties.

Crisis? What crisis?

Peterborough

THE slowdown in the economy was brought home to Peterborough last month by the closure of Molins, the cigarette machine factory, with the loss of 370 jobs. Until then the town had largely escaped decline. On the fringes of the prosperous "Silicon Fen", which surrounds Cambridge, Peterborough has outstripped the national growth rate for the last few years. Molins, which sells to Asia and the Pacific Rim, was doubly exposed to financial turbulence. Like all exporters the firm struggled with the squeeze on overseas orders brought about by the pound's overvaluation. Then, last summer, the Asian economic crisis hit. "It was a real killer," says Bob Hogg of the Greater Peter-

borough Chambers of Commerce. But he sees the Molins closure as a one off, not as an indicator of worse to come. "It was a very specific situation, a manufacturing plant with 90 per cent of its sales in exports and most of that to the Pacific Rim." Over all, businesspeople in the East Anglian town are more optimistic than elsewhere. The most recent Chambers' survey showed that confidence had a slight setback. But optimists still outweigh pessimists. "Things are holding up better in Peterborough than elsewhere," says Mr Hogg. Lee Dungeate, aged 16, who is

training to be a brick-layer, agrees. He cannot understand all the doom and gloom in the papers about job losses and is convinced that, when he finishes his course next year, he will have no trouble finding work. Worried about the future, Lee? Any doubts or fears at all? "No, none." To some extent the town has been protected because its big manufacturers are at the quality end of the market. Perkins engine manufacturers make highly specialised products for a worldwide market. When the pound rises, it is more difficult for their overseas customers to switch quickly to a cheaper alternative provider.

TOURIST RATES — BANK SELLS

Australia 2.786	Germany 2.8553	Malaysia 6.91	Singapore 2.85
Austria 20.10	Greece 486.63	Mexico 0.63	South Africa 10.08
Belgium 58.13	Hong Kong 12.34	Netherlands 3.2214	Spain 242.11
Canada 2.47	India 82.53	New Zealand 3.25	Sweden 12.26
Cyprus 0.8387	Ireland 1.1341	Norway 12.83	Switzerland 2.26
Denmark 10.87	Israel 6.12	Portugal 200.95	Turkey 436.150
Finland 8.78	Italy 2.840	Saudi Arabia 5.04	USA 1.5598
France 5.577			

Supplied by InterFax (excluding Japan, Seoul and Moscow)

House price fall raises risk of coming slump, warns Nationwide

Rupert Jones

HOUSE prices have fallen for the first time in 20 months, prompting fears that the fragile property market recovery has shattered and that a slump could be imminent. The new figures follow a

succession of surveys showing the housing market has been slowing. Nationwide Building Society, which issued the research, said it saw the fall as more than just a blip. "Although one month's figures should not be seen in isolation, persistently high interest rates and weakening

consumer confidence mean that house prices are likely to be somewhat less robust in the coming months," said spokesman David Parry. Nationwide's monthly house price index shows that the average price of a home fell by 0.6 per cent this month, and now stands at £66,171. Prices are still 9.2 per cent

higher than a year ago, but this annual inflation figure has been steadily falling. At the start of the year it was 13.1 per cent. The findings will depress many home owners, particularly those who bought recently, but will delight legions of house-hunters who have been struggling to find a

decent property as prices climbed around them. Nationwide's research coincided with new figures from the Bank of England that gross mortgage lending has reached record levels, totalling £5.7 billion in July. However, these figures have been boosted by high levels of remortgaging activity as

home owners take advantage of the highly competitive fixed-rate home-loan deals currently on offer. In addition to the six interest rate rises since Labour's election win, the recovery has been hindered by shortages of properties on the market. But estate agents now say that demand is outstripping supply

in only a minority of areas, said Mr Parry. "It is now clear that house price inflation peaked towards the end of 1997 and has been on a modest downward trend ever since." Market activity, measured as the number of property sales, remains "weak", Mr Parry said. "We do not see

substantial increases over the remainder of 1998." Economic conditions suggest it is likely to be mid-1999 before the housing market sees any significant rise in volumes. The Halifax said it expected it to show a house price rise of between 0.2 and 0.8 per cent for August.

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FinanceGuardian

£30bn wiped off shares as UK setbacks add to woes from Russia

Markets fall on crisis fears

Lisa Buckingham
City Editor

MORE than £30 billion was wiped off the value of leading British shares yesterday as fears about the repercussions from Russia's economic crisis swept through the market for a second day and as industrialists warned that the UK economy was grinding to a halt.

The FTSE 100 index closed down 176.9 points, or 3.2 per cent, at 5,368.5 — the lowest level since last February.

There was heavy selling across the board — more than 900 million shares changed

hands — echoing the downward pressures in most other markets.

The Dow in New York was down 242 when London closed. It fell even further in later trading, closing 387.36 down at 8,553.99 last night. Germany's DAX index ended 3.3 per cent off while the CAC40 in France closed 4.3 per cent lower. Japan's benchmark index shed 3 per cent to end at its lowest level for six years and Hong Kong's Hang Seng index gave up 1.1 per cent.

As Russia's central bank suspended foreign currency trading for the second day and pressure grew for the resignation of President Boris Yeltsin, one fund manager

said: "It looks as though people are getting out of virtually everything except US government bonds. And there isn't anything to suggest where this is going to end."

Still, the shares of some 11 UK companies ended the day higher than they began and one leading fund manager in London said: "This isn't a collapse. Yes, there's a lot of uncertainty but we haven't raised our cash positions because we don't think it's a trap."

"When markets are this volatile it's hard to tell exactly what's sparking the ups and downs — and, of course, there are some nasty things going on out there such as Russia. But while there's a risk in un-

certainly I don't think that the market is valued on completely the wrong basis and that would be needed for a full-blown crash."

Worries that Russia will default on loan payments provided the excuse for London share prices, led by the banks such as Lloyds TSB, HSBC and National Westminster, to slump again.

Although the decision by Russia to suspend debt repayments — and UK banks have about £300 million outstanding to the country — triggered the latest market fall, there has been considerable nervousness that the bubble of buoyant share prices in London and New York would burst. Many leading fund

managers such as Mercury Asset Management and Phillips & Drew have regarded share prices as overvalued for some time.

"It's going to get worse before it gets better," said James Sandison of Edinburgh Fund Managers. "It's a mess. It's not surprising to see people selling. I think cash and bonds are where it's at."

The FTSE index is now 13 per cent adrift from its 1998 peak of 6,183 which it hit on July 20 and experts reckon any rebound is unlikely to turn into a growth trend.

Oil prices also fell as three of the world's largest oil exporters postponed a meeting to discuss falling prices which might have resulted in

production cuts. Crude for October delivery fell by 12 cents to \$22.38 a barrel adding to the crushing pressure on companies such as BP and Shell whose shares lost 12.5p to 790.5p and 11p to 831p respectively.

Profits setbacks from several British companies appeared to heighten worries that the earnings growth of corporate America is about to stall, punching a hole in the valuation of the Dow and triggering global depression.

"People are looking for things to sell where they still have profits," said one dealer. "They are turning to areas which, until now, have been holding up reasonably well. That is bad."

Notebook

Home economics flattens Footsie



Edited by
Alex Brummer

THE FTSE and the Dow took a hammering in yesterday's trading — and with good reason. The financial snarling in Russia and its knock-on effects in Latin America are clearly part of what has gone wrong, but there are local fundamentals which finally are being understood by the markets.

In the UK almost every company reporting from Rolls-Royce to Ladbroke, is suffering from Asia to some degree. But there are also serious portents of slowdown at home. The CBI's monthly survey was very weak in August, pointing to a real slowdown in manufacturing. Order books and export orders are also weak.

All this suggests that, unless interest rates are forced down by global uncertainty, a far harder landing than the Chancellor, Gordon Brown, would have preferred looks likely.

The United States economy has shown no such wobbles as yet. But as conditions worsen in Russia and Latin America, the prospects for sustained earnings growth and output at recent levels looks less likely. The downward movement in the Dow Jones is reaching levels where it begins to scare even the most robust of bulls.

the September one lower to make it expensive for the speculators to "roll over" their positions from August to September.

But, while the original speculators are being hammered, the nature of capitalism means that the arbitrageurs, who bet on differences between markets rather than absolute movements, are joining in the game with authorities in the opposite direction.

Volumes on the stock market are high, particularly in the September contract, which bodes badly for the Hong Kong authorities if they intend to keep trying to beat the speculators who want the market to fall.

After all of this, it may also take some time for investors to believe Hong Kong is a truly free market any more.

Hotel wager

AT times like this, Ladbroke's betting shops must feel like a security blanket. Although profits are creditably up by more than 22 per cent, with an almost equal amount coming from the hotel and betting operations, the latter looks the better prospect for the rest of this year and beyond.

Chief executive Peter George may have buyers queuing up to absorb Coral, if the takeover of the former Bass chain is reversed by the Monopolies Commission, but in these increasingly difficult global times, the betting shop might well be a recession beater.

As yet, Ladbroke's brush with meltdown has been confined to the Far East and Egypt, where the aftermath of the Luxor bombing was felt in the first half of the year. But there is no reason to believe that matters will be any better in the Middle East in the remaining months of the year after the new dose of uncertainty injected by the US cruise missile attacks on alleged terrorist targets in Sudan and Afghanistan.

The company reports that aside from these weak spots, and some problems with Thai gaming, its international hotel operations have held up well, particularly in the Americas and Europe.

That may have been fine before Russia. But it is now clear that the uncertainty coming out of Moscow could make Ladbroke's ambitious programme of taking on new hotel management contracts, under its Hilton brands, from Buenos Aires to Sofia, look less than wise. With more than 40 new openings for Hilton International scheduled over the next four years, the Ladbroke management — having learnt the lessons of over-expansion in property in the last cycle — may consider whether investors might be more reassured if a new assessment of the opening schedule were conducted.

The one investment which would give Ladbroke a fillip is the reuniting of the US and International Hilton businesses under one umbrella — since the fundamentals in the US are stronger than anywhere else. But that is not likely to be happening anytime soon.

Hong Kong gap

AFASCINATING battle of wits is reaching its climax in Hong Kong where the authorities are trying to teach the West's speculators a serious lesson.

The Hong Kong Monetary Authority has spent almost \$4 billion over the week or so buying the big stocks which make up the benchmark Hang Seng index in an attempt to support the stock market. This unprecedented move is a result of the authorities' determination to make sure hedge funds — which had been betting the stock market would fall — lose as much money as possible.

Since the Hong Kong authorities started buying, the main index has risen from close to a five-year low of 6,600 to above 7,800. Today, the battle between the authorities and the speculators reaches fever pitch as the August futures contract expires and the September future kicks in. Usually, when the two contracts replace one another, they do so at parity. At last night's close there was a gap of more than 350 points, which has to be closed by the time the market shuts at 4pm Hong Kong time.

The wider the gap, the happier the authorities, who want to drive the August contract as high as possible and

Sainsbury withdraws 'fake' sportswear

Lisa Buckingham
City Editor

SAINSBURY, the supermarket, yesterday bowed to the threat of legal action from the sports-wear company Nike to confirm allegedly fake polo shirts from its shelves.

Nike claimed that Sainsbury, the Sainsbury subsidiary, was selling counterfeit goods and applied to the High Court for an injunction designed to force

the chain to withdraw the goods.

Sainsbury said it had agreed to remove the shirts from sale and would work with Nike to confirm authenticity of the shirts.

The supermarket chain still intends to stock other Nike products but stressed that it was keen to source products officially rather than having to buy goods on the "grey market".

Legal experts said this defeat for Sainsbury showed "the net was beginning to close on the supermarkets".

Sainsbury is not alone in its drive to offer expensive branded goods at discount prices.

Tesco and Asda have also put items such as Levi's jeans on their shelves at prices way below those recommended by the manufacturer.

Sam Langley of the law firm Eversheds said Sainsbury appeared to have backed down under the threat of litigation because it did not want to reveal its supply chain details.

A decision a month ago in the European Court of Justice, the so-called *silhouette* case, means manufacturers no longer have to show that goods were fake but could take legal action on trademark infringement in a specific territory.

Ms Langley said this ruling handed momentum back to the brand companies. Nike first challenged Sainsbury after Customs & Excise staff warned the company that a suspicious shipment of 25,000 items had been imported from the Philippines. Trading

standards officers alerted the sports company that the goods had found their way on to Sainsbury's shelves.

Sainsbury did not admit that the goods in question were fakes and said it would co-operate with the manufacturer to "confirm the authenticity" of the products.

A statement added: "When provided with evidence that questions the integrity of any product we act as quickly as possible to protect our customers' interests."

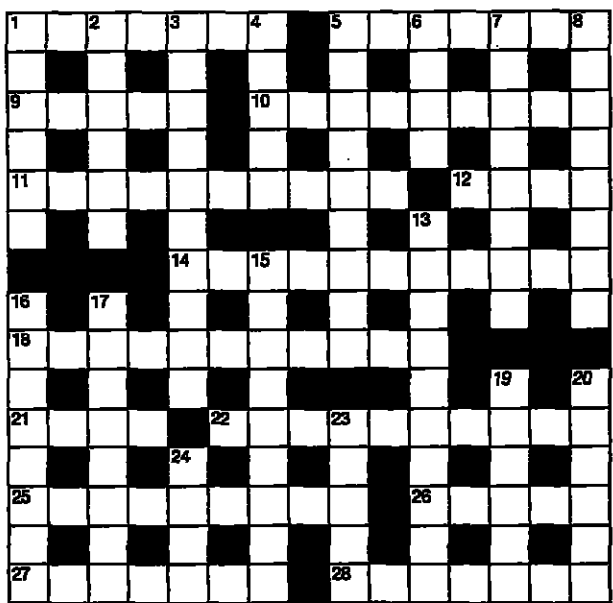
Jim Tucker, general manager of Nike (UK), said:

"The fact that part of an organisation as large as Sainsbury can be caught out by the counterfeiting cartels just goes to show how heavily infected with fake goods the markets are."

Ms Langley of Eversheds said, however, that branded goods companies such as Nike were as keen to maintain prices and ensure legitimate goods did not move from low-cost places such as the Philippines to the United Kingdom (the "grey market") as they were to eliminate the trade in fakes.

Guardian Crossword No 21,365

Set by Quantum

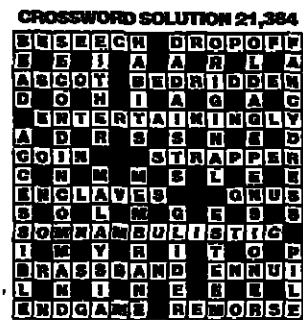


Across

- 1 In which you'll find a collection of writings? (7)
- 3 What enables one to cut down bit of heat in boiler? (7)
- 9 Firm incorporates old measure that has strings attached (5)
- 10 Looking after it the most important thing? (5,3)
- 11 Casual denial in brief court moves (10)
- 12 Crooked tendency (4)
- 14 One could be earth-shattering (5,6)
- 18 Company Euro brawl found staggering artistic work (7)
- 21,22 In business he looks to his betters (4,10)
- 25 Missing about at school, university could be a disaster (5)
- 26 Doctor in island round (5)
- 27 The girl's fit but put out of action (7)
- 29 Post back in research for colourful effect (7)

Down

- 1 Cash below measure, we hear. Could be in jam (6)
- 2 Second force round off joint (6)
- 3 Cutter appearing in Norfolk region's news (7)
- 4 Mark Neon off. It's a gas (5)
- 5 So transitory and move about (4,3,2)
- 6 Partly moderate the river (4)
- 7 Characteristic pieces of land? (8)
- 8 Presenter missing intro-



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ABFFST



Tomorrow never Dies for Pierce Brosnan's Bond but Hollywood's big pictures are drying up PHOTOGRAPH: KEITH HAMSHIRE

Megalomedia hit as blockbusters fade

Dan Atkinson

THE slowdown in Hollywood's blockbuster pictures has hit profits at Britain's Megalomedia group, the company warned yesterday.

Its US special-effects offshoot CFC has been hit so hard that both half and full-year profits this year will be down on 1997.

Megalomedia's British special-effects unit Framestore — largely unaffected by the problem — has worked on films including *Tomorrow Never Dies*, *Armageddon* and *The Truman Show*, and has branched out into both TV adverts and programmes.

But CFC, acquired last

year, has kept all its eggs in the Hollywood basket, and the stream of blockbuster productions began to dry up.

Lord Saatchi is one of Megalomedia's biggest single shareholders, with 5.3 per cent. The shares lost nearly 30 per cent of their value yesterday, crashing 94p to 224p.

Megalomedia said profits for the half-year to September 30 were likely to be "significantly lower" than the £1.7 million earned before tax in the same period last year.

Despite the widespread fall-out from CFC's problems, many of Megalomedia's activities are entirely unrelated to the cine industry. Its Forward Publishing



arm produces corporate and customer-relations magazines for clients including Tesco, and its Grad-

nate Appointments unit is a strategic forward recruitment consultancy.

Leading studios have, in recent months, cut the number of films put into production, according to Megalomedia, and CFC "has experienced consequent slippage in projects and a lower level of activity," it said.

"Management has taken and continues to take action to reduce costs pending an upturn in historically volatile production. It is also [our]... objective to reduce CFC's exposure to volatility in the film industry by broadening its range of services," it added.

Television is one area into which CFC may diversify, it is thought.

Interest rises over possible Coral sale

Jim Treanor

BUYERS are said to be queuing up for Coral if Ladbroke is forced to sell the bookmaking chain it bought late last year from Bess for £263 million.

Despite the precarious state of the stock market, Ladbroke believes it could even make a profit if the Government decides the acquisition raises

monopoly concerns. The bid was referred to the Monopolies and Mergers Commission in March. The report has been submitted to the Department of Trade and Industry for the final decision which is expected next month.

The company's profits figures for the first half of the year revealed a 43 per cent increase in betting and gaming profits of £90.7 million, £17.2 million of which was contrib-

uted by Coral. Betting on the World Cup helped to fuel the increase in profits. Ladbroke admitted that sales from its recently launched Vernon's "Easyplay" game — which picks football matches based on the National Lottery — were a "bit slower" than projected.

Overall, Ladbroke reported pre-tax profits of £123.7 million, up 22 per cent, even though Maxim's, its flagship

casino, is feeling the pressure of the Asian crisis. Thai gamblers, usually regulars, have been staying away.

The Asian crisis also took its toll on its hotel chain, Hilton International, as did lower occupancy rates in parts of Africa and the Middle East.

However, Peter George, chief executive, was optimistic about the prospects for the hotel business in London.

News in brief

Zeneca settles pollution case

The British chemical and pharmaceutical manufacturer Zeneca will pay \$3.5 million (£2.2 million) to settle charges that it violated environmental laws at its chemical plants in Mount Pleasant, Tennessee, the US Justice Department said.

Zeneca, the world's second-largest cancer-drug maker, will also spend more than \$15 million to build additional wastewater treatment sites at Mount Pleasant and is likely to also spend "millions of dollars to clean up contamination from waste sites" at the Tennessee location. — *Bloomberg*

Allianz payout

Allianz, the German insurance company, has said it will pay \$260,000 (£157,000) to an international commission being set up to examine outstanding insurance policies of Holocaust victims. Axa, Generali and Zurich will pay the same amount. — *AFP*

Yardley hope

At least five international companies have expressed an interest in buying Yardley, the cosmetics firm's receivers

said yesterday. Joint receiver Tony Thompson of accountants KPMG said that the company's "prestigious" image would almost guarantee that a buyer would be found to save the name.

"Further positive developments are expected shortly," he said. — *PA*

Reckitt down

Reckitt & Colman, the household goods maker, displayed the pain of its exposure to emerging markets around the world when it reported profits below expectations.

The company, which reported pre-tax profits of £152.4 million, down 7.7 per cent, also suffered because of the strength of the pound which wiped \$11 million off operating profits. Its share price crumbled by 6 pence to end at 1010p.

Reclaim hit

Reclaim, a UK packaging and building materials company, said first-half profit fell 3.3 per cent as a strong pound and a slowdown in the electronics industry and in Asia hit earnings. Net income for the half-year fell to \$90 million, or 11.7p a share, from \$91 million, or 12.1p a share, a year earlier. — *Bloomberg*